REPORT

ON

THE ADOPTION OF THE GOLD STANDARD

IN

JAPAN.



MATE DUE FOR RETURN

19.91.03

This book may be recalled before the above date.

CORRIGENDA AND ERRATA.

- p. XI, l. 4. For (1897-1899) read (1897-1900).
- p. 19, l. 6. For avowdly read avowedly.
- p. 20, 1. 24. For 7-yen read 1-yen.
- p. 36, Table XI. For @ read per.
- p. 37, Among figures for 1878, For 4,601,325. read 4,601,326.
- p. 41, 11. 24, 26. For No. XIV read No. XXIV.
- p. 45, 11. 29, 30. For conjection, conjected read congestion, congested.
- p. 46, l. 6. For twenty-seven read twenty-nine; ibid. l. 21. For 18th century read 17th century.
- p. 55, l. 11. For house read home.
- p. 57, l. 21. p. 62, ll. 14, 34, 36. p. 64. l. 33. p. 86, l. 31. p. 87, l. 23, and p. 88, l. 21. For millions read million.
- p. 73, l. 5. For 4th year of Meiji (1872) read 6th year of Meiji (1873).
- p. 74, last line. For five read firm.
- p. 81, l. 35. For on read out.
- p. 89, l. 3. For 6,480,000 read 64,800,000.
- p. 89, 1. 8. For 8,525,444.84 read 8,525,444.084.
- p. 90, l. 10. For May read March.
- p. 92, l. 7. For Art. II read Art. XII.
- p. 94, l. 16. For Art. VI read Art. IV.
- p. 104, n. 2. For September 1887 read September 1897.
- p. 106, Table XXIII Among figures for 1873, For 60,446,288.092 read 60,446,288.392.
- p. 107, l. 13. For 15th read 16th.
- p. 109, 1l. 26, 28. For accomodated, accomodation, read accommodated, accommodation.
- p. 112, last line. For 1873 (6th year of Meiji) read 1875 (8th year of Meiji).
- p. 144, last line. For 11 rin read 1.1 rin.
- p. 240, l. 39. After houses omit comma.
- p. 251, l. 4. After would be supply further.
- p. 319, l. 21. After followed supply in.

INIVERGITY COTTEST WATER

REPORT

ON

THE ADOPTION OF THE GOLD STANDARD

IN

JAPAN

BY

COUNT MATSUKATA MASAYOSHI

H. I. J. M's Minister of State for Finance



TOKIO

PRINTED AT THE GOVERNMENT PRESS THIRTY SECOND YEAR OF Meiji (1899)



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DEPARTMENT OF FINANCE May 18th, 32nd year of *Meiji* (1899)

To His Excellency, Marquis Yamagata Aritomo
H. I. J. M's Minister President of State

Your Excellency; I have the honour to present to Your Excellency herewith a report on the particulars relating to the accomplishment of the monetary reform recently undertaken by the Government. To establish gold monometallism in place of a de facto silver standard is indeed a thorough-going change, and the influence of that change on the future economy and finance of the country will doubtless be great and farreaching. The Coinage Law (Law No. XVI of the 30th year of Meiji) which brought about this great change went into operation on the 1st day of October, 1897; while at the same time the Government began the process of exchanging and withdrawing from circulation 1-yen silver coins, which process was closed on July 31st of 1898. The disposal of the silver yen thus withdrawn from circulation was also completed in December of the latter year.

The coinage system in vogue at the time of the Restoration (1868) was based on the system that was first established in the 6th year of Keicho (1600 A.D.), and since that time, for more than two hundred and sixty years, no change had ever been introduced into the system. Yet owing to growing financial distress, the Shogunate Government frequently resorted to recoinage as its invariable relief measure, which in every case, excepting the solitary case of Kioho time (1715 A.D.—1734 A.D.) brought out coins of lighter weight and poorer quality. The coinage system was thus, though nominally kept intact, practically destroyed in the end through successive debasement. Besides, some of the Daimios (feudal princes) often took the

liberty of secretly coining money, while the practice of issuing paper money for circulation within their separate jurisdictions had become well nigh universal. In a word, the currency system of the country at the end of the *Shogunate* period was in a most disordered condition.

Soon after the Restoration, the Imperial Government saw the necessity of reorganizing the existing system of coinage on a sound basis, and in May, 1871 (4th year of Meiji), the New Coinage Law was promulgated, which opened the way for the final establishment of the gold standard system. This is a fact that must be particularly noted in order clearly to understand the monetary history of modern Japan. However, the gold standard could not yet be thus at once established. In those days the universal medium of exchange in the trade of the Far East was the Mexican dollar, and the Government thought the interest of foreign trade would best be served by issuing, aside from the standard gold coins, the silver 1-yen (or trade dollar) equal in size and quality to the Mexican dollar, and by making it legal tender only within the limits of the treaty ports. So the provision was made in the New Coinage Law of 1871, for the coinage of the silver yen to be called Boyeki ichi yen gin (or trade silver dollar). At the same time the disordered condition of finance, especially the issuing of inconvertible paper money, drove gold coins out of the country with enormous rapidity. Under these circumstances, situated as the country was in the midst of the silver countries of the East, it was found impossible to maintain the gold standard. These reasons as well as the inconvenience of maintaining the two kinds of money, one for foreign and the other for home trade, led the Government to issue Imperial Ordinances Nos. XII and XIII in May, 1878 (11th year of Meiji), which made the trade dollar legal tender throughout the country, side by side with the gold coins. From this time on, the country no longer maintained in reality a gold standard, but a gold and silver bimetallic system. This change must be regarded as one deviating step in the development of our monetary system.

The Government of that time should not, however, be too severely judged. The expenses of the Revolutionary Wars were very heavy, and the financial need was most pressing. Almost the only resort of the Government was the issuing of paper money. Moreover when feudalism was abolished in 1871 (4th year of Meiji), the Imperial Government was obliged to take over all the paper money which had been issued by different Daimios, and for the adjustment of this class of paper money, the Imperial Government was again obliged to issue further a large amount of paper currency. All these causes combined to raise the amount of the inconvertible paper money to an enormous figure.

The credit of these notes was at first exceedingly bad. This was doubtless due largely to the lack of credit of the Imperial Government itself, but also to the fact that the people could not free their minds of the sad experiences of the losses they had incurred on account of the various inconvertible notes of feudal times. The new paper money was shunned by the people, even at a large discount, so much so that the Government felt compelled to take steps to reduce its amount by exchanging it for the Government bonds, bearing six per cent. interest, which were issued under the Kinsatsa (literally gold note) Exchange Bond Regulations. Through these measures, as well as owing to the increase of the Government's credit, the hatred for paper money gradually wore off, the people finally even coming to prefer it because of the convenience of handling.

Matters were progressing favourably when in 1877 (10th year of *Meiji*), a rebellion broke out in the south-western provinces. The Government was again obliged to resort to the issuing of a large amount of inconvertible notes, which brought on an inflation and consequent depreciation in the value of these notes. There was also another cause for this result; namely, the increase after 1876 of the amount of national bank



notes, due to increase in the number of national banks (owing to certain amendments in the National Bank Regulations, which took place through Imperial Ordinance No. CVI). The effect of this depreciation was felt in various directions: for instance, prices rose rapidly, gold and silver left the country, the imports soon came to exceed the exports, the farmers contracted habits of luxury, the industrial classes became over-excited with vain hopes of speculation. Thus was brought about the great financial distress of 1880— That disastrous results would inevitably follow if inconvertible paper money were made the standard of value, might have easily been foreseen by mere common sense, but the measures adopted by the Government at this crisis seemed to show that the authorities did not grasp this simple truth. They regarded the difference in price between silver and paper as an indication, not of the depreciation of paper, but of the appreciation of silver. They attempted, therefore, to stop the rise of the price of silver by increasing the amount of its circulation. The Government sold silver coins, opened places for the exchange of Mexican dollars, and established the Yokohama Specie Bank in order to call forth the coins hoarded by the people. But the more these measures were resorted to, so much more rose the price of silver. The Yokohama Specie Bank finally became almost bankrupt, and no one knew how far the paper currency would go down in the scale of depreciation.

At last, however, the true method of relieving the financial distress began to dawn on the minds of the men in authority. From September, 1880, the Government began to take steps to redeem a part of the paper money in circulation. The depreciation however still continued without a sign of abatement. It was at this crisis, in October 1881, that I received the Portfolio of Finance. It occurred to me as I studied the case that in order to effect the object in view the Government should, side by side with the redemption of a portion of the paper money in circulation, take steps to increase the specie reserve of the

Government preparatory to the resumption of specie payment. Moreover, in order to put the country's finance on a sound basis and relieve the pressing distress of the time, I felt the need of a central bank having the sole privilege of issuing convertible notes. I submitted a scheme for the establishment of such a central bank to the consideration of my colleagues. In the cabinet council which followed, my suggestions were approved and in June, 1882, by Imperial Ordinance No. XXXII, the Nippon Ginko (Bank of Japan) was established. Two years later, in May 1884, by Imperial Ordinance No. XVII, the Bank of Japan was empowered to issue convertible notes. After the necessary foundations were in this way laid, the Government used every means in its power to raise on these foundations a sound financial superstructure. method of receiving and disbursing the Government revenue was changed, and the strictest economy was practiced in the expenditures of the different departments. One half of the surplus obtained in this way was devoted to the redemption of paper money, while the other half was added to the specie reserve of the Government. Besides, after the latter part of 1881 this reserve fund was employed for discounting foreign bills of exchange, with a view to encourage the export trade of the country, which in its turn would lead to the importation of specie. Thus the Government took every possible measure, and left no stone unturned for the establishment of a convertible notes system.

Thus took place on the one hand the gradual redemption of paper money, and on the other hand the increase of the specie reserve of the Government, so that not long after, about the close of 1885, the credit of the Government rose so much that the difference between the value of silver and that of paper almost disappeared. The opportune moment seemed now to have arrived to effect the substitution of the convertible notes for the inconvertible. The Government, therefore, gave notice by Imperial Ordinance No. XIV of June, 1885, that

specie payment would be resumed after the 1st day of January, 1886. Thus at last was overthrown the system of inconvertible paper money, together with all the evils resulting from that system.

Previous to this the Government saw that the notes of the National Banks were also in need of adjustment, and through Imperial Ordinance No. XIV of May, 1883, certain amendments were introduced in the National Bank Regulations, the main point in those amendments being a method of conjoined redemption of the notes of all the banks. Thus the redemption of the bank notes began to take place, as also that of the Government paper money. The circulation of them both will cease altogether on the 31st of December, 1899.

While the evils of inconvertible paper currency were thus swept away, on the other hand however one effect of all these reforms was to make Japan a de facto silver standard country. This was perhaps an inevitable step the country had to take in arriving at last upon a sound financial footing. The authorities knew of course that, in order to a healthy financial development, Japan would have to enter sooner or later the international economic community, and that in order to do this she would have to adopt a gold standard. That the Government pursued a policy which led to the inevitable result of making Japan a de facto silver country, was owing mainly to the great difficulty of at once accumulating a large gold reserve necessary for the establishment of gold monometallism. It was thought advisable, therefore, to leave the latter, as the second end to be aimed at, to some more favourable time.

The first cause of the recent rapid depreciation of silver we must attribute to Germany's adoption of a gold standard in 1873, in consequence of which she began to sell silver. Among other main causes may be mentioned the limitation and final cessation of the coining of silver in the countries of the Latin Union, and the discovery of the rich silver mines of North America. When, however, in 1893, India, the greatest silver

country in Asia, took steps to reorganize her currency system, the sudden fall in the price of silver was exceptionally noticeable. At that time Japan being a de facto silver country, the effect upon her of this sudden fall was very great. Fluctuations in foreign exchange now became exceedingly frequent and unreliable. Business men lost a constant standard of value and became compelled to pay constant attention to changes in the money market, so that foreign trade tended to become largely a matter of monetary speculation. It became more and more hopeless to expect to see the healthy growth of trade both home and foreign. Thus was impressed most clearly upon the minds of the financiers of the country the necessity of adopting gold as the standard coinage in Japan, that metal being least subjected to changes in its price, and most fitted for use as the medium of exchange.

The reform so necessary was, however, very difficult to undertake. Unexpectedly the reception of the Chinese indemnity seemed to offer the desired opportunity. Now, according to the terms of the Treaty of Peace, Japan was to receive her indemnity in Kuping Taels. It occurred to me, then, that on account of the inconstancy in the price of silver, as well as in view of the possible adoption of a gold standard by our country, it would be greatly to our advantage to receive the payment of the indemnity in British, instead of Chinese money. The Minister President of State, Marquis Ito, acting on my suggestion, negotiated with the Chinese Authorities, which led to our receiving the indemnity money in pounds sterling.

Not long after, on my appointment to fill the post of the Minister President of State, my efforts were immediately directed toward making preparations for adopting the gold standard. In February, 1897, the bill for effecting the reform was drawn up. There was, however, no little opposition. Some said, the fall in the price of silver would rather encourage trade with the gold standard countries, while the adoption of a gold standard by Japan would tend to decrease the amount of

our exports to those countries. Others said, Japan, situated as she was in the midst of the silver countries of the East, would be placed in a position of much disadvantage in her trade with these countries if she adopted gold monometallism. Some others said, Japan did not produce a sufficient amount of gold to be able to maintain permanently a gold standard system. Yet again others said, the silver yen exported to foreign lands exceeded one hundred millions, and if all these coins came back for exchange, as might possibly be the case, the national treasury would have to suffer an immence loss. In the midst of all these oppositions the Government stood firm in its purpose, and the bill was introduced into the Imperial Diet in March, 1897, which after being passed by the both Houses of the Diet, was sanctioned by the Emperor and promulgated as Law No. XVI on the 29th day of the same month. It must be looked upon as a most fortunate event, considering the future of the country's finance and the development of our national economy, that the gold standard was thus finally established.

For successfully carrying out the radical change that was thus accomplished, I believe that the Government has been careful to take every necessary precaution. For instance, a part of the earlier installments of the indemnity was converted into gold bullion and conveyed to this country, to be minted as fast as possible into coins in the Government Mint. In buying bullion, much care was taken to secure it in the time and place most advantageous, so that though so large an amount of bullion was bought altogether, the process was accomplished without too great a disturbance of the market and without loss to the Government. The gold thus turned into coins between July, 1897, and April, 1898, amounted to 74,455,735 yen, which was kept in reserve for the exchange of silver yen. The process of exchanging was began on the 1st of October, 1897, and closed on the 31st of July, 1898.

The total number of 1-yen silver pieces that had been coined since the opening of the Government Mint at Osaka amounted

to 165,133,710. Of this amount it is estimated that 99,508,740 yen were exported into foreign countries and never returned: 11,028,633 yen were taken abroad at the time of the war with China (1894–5): 5,732,027 yen were sent to Formosa after the cession of that island by China and never brought in for exchange.*

On the other hand the total amount exchanged for gold coins between October 1st, 1897, and July 31st, 1898, was 45,588,369 yen.†

Besides these 460,904 yen had been recoined by the Government Mint into subsidiary coins.

These different sums amount to 162,318,673 yen, which still leaves 2,815,037 yen, whose whereabout can not be traced. Most probably they have been lost or worn out, or been taken away by foreign visitors when leaving the country.

To make an estimate of the amount of the silver yen which would probably come back from abroad for exchange was no easy thing to do. Accordingly I had the most careful researches made as to the amounts of those coins circulating in Shanghai, Hongkong, the Straits Settlements, etc. It was made clear as the result of these researches that no inconsiderable part of them had either marks of private stamp, which unfitted them for circulation at home, or had been recoined into Chinese Taels. Then besides a large quantity was being used as a medium of exchange in the Straits Settlements and neighbouring islands, so that there was little prospect of their coming back. In view of these facts I estimated that no more than 10 million yen would come back for exchange. It was gratifying that the result proved the almost literal correctness of that estimate.

Besides these silver coins, there existed the promissory notes of the Mint for the payment of silver yen, which had been given in exchange for silver bullion deposited at the Mint

† Of this amount 10,846,460 yen were sent back from abroau to be exchanged a the rest were in circulation at home.

^{*} Most probably these were taken over to the Mainland by the Chinese.
† Of this amount 10,846,465 yen were sent back from abroad to be exchanged and

by private parties. When silver coins were minted, these were to be handed over in exchange for those notes. Now the latter, which amounted altogether to 29,505,453 yen, were also all exchanged for gold coins.

The total amount of silver thus retired by the Government reached the sum of 75,093,822 yen. Of these 45,588,369 yen came in partly through exchange for gold coins, and partly as taxes or in other forms of public payment; the rest consisted of the promissory notes of the Government Mint.

It should be noted that the period of ten months allotted to the work of exchanging the silver yen was a comparatively short one, in view of the magnitude of the work to be accomplished. The authorities were not indeed without sense of the risk they were running; for should there be a slight hitch in the management, the whole thing might have proved a failure. Yet on the other hand, if the time limit was much longer extended, it was feared that the return of the exported silver yen might become, in view of possible changes in the price of silver, unexpectedly great, and thus embarrassing to the Government. It was also feared that chances for counterfeiting might perhaps be opened. For these reasons the time limit was made comparatively short, and exceptional care was taken to facilitate the process of exchange. The Central Government Treasury as well as the four hundred and forty seven Government Treasuries and Sub-Treasuries scattered all over the country, besides the Yokohama Specie Bank which served as agency for the Bank of Japan, and its Kobe branch office, were all directed to take charge of the work of exchange. Moreover, special permission was given to the people during the time allotted for exchange to pay taxes and make other public payments in silver yen. That no report has reached the authorities of any which failed to get exchanged, seems to prove that the whole work has been well accomplished.

The Government had to find some proper method of disposal of these silver coins now suddenly brought in. They

amounted, as mentioned above, to the sum of 75,093,822 yen. This large sum was disposed of as follows: 27,567,012 yen were recoined into subsidiary coins between the 30th and 32nd fiscal years of Meiji (1897-1899); 40,786,662 yen were sold in Shanghai, Hongkong, and elsewhere; 6,740,148 yen were taken over to Formosa, Korea and elsewhere, and expended in those countries. The whole amount was thus disposed of in just one year and three months after the new coinage law was promulgated. In thus disposing of the silver yen the Government took every precaution to sell them as speedily and as dearly as possible. At first it was feared that owing to the fall in the price of silver the Government would incur a loss of more than 10 per cent., but it was fortunate that the actual loss only amounted to 7 per cent., and that the sale was completed within a little over one year. The rate realized was even slightly higher than the average price of silver bullion in London at the time.

In disposing of these silver yen the Government incurred the loss of 5,397,581 yen, while the necessary expenses connected with the process was 155,731 yen; the two sums together making 5,553,312 yen, which had to be defrayed by the Government. This was, however, more than made good by the manufacture profit of the Mint amounting to 5,651,961 yen, which was obtained from the minting of subsidiary coins between the 30th and 31st fiscal years of Meiji (1897–1899).

As thus narrated the New Coinage Law has been successfully put into effective operation and the disposal of the silver yen completed, so that Japan is now really a gold standard country. I regret much, however, that I can not as yet present before Your Excellency in the present report the practical proofs of the advantage which that change has conferred upon the country. In the first place a sufficient time has not elapsed to test the real working of the new system, and in addition the sudden industrial expansion due to the effect of the victorious war with China, the partial failure of the rice crops, as well as the going into effect of the new tariff laws, all combine to make

the present financial condition of the country exceedingly complicated. Yet judging from the condition of things after October, 1897, I can not but think that at least a part of the object aimed at has been attained. One good effect of the coinage reform is seen in the steadiness of the exchange value of money. While the prices of things have risen and fallen, according to the economic laws of supply and demand, no part of these changes was due to the result of a change in the value of money. For these reasons the industrial classes need be now no longer under constant apprehension of some unexpected changes in the value of money. Trade with gold standard countries has been greatly facilitated through the unvariable rate of foreign exchange, as may be seen from the fact that since October, 1897, the rate of exchange on London has fluctuated only between 2s. 0.1611 d. and 2s. 0.8071 d. The trade with silver countries has also shown much activity. The exports to these countries have increased from some 54,200,000 yen in 1897 to some 69,800,000 yen in 1898. The imports also have increased in the same period from 65,450,000 yen to 77,170,000 yen. The hope of inviting capital at a low rate of interest from gold standard countries, in order to help on the industrial growth of the country, will doubtless be realized before very long. These are of course but minor observations. That in the long run the advantages of the gold standard will be deep and abiding, conducive to the healthy industrial growth of the country, scarcely seems to admit of any doubt.

On one point, however, particular care needs to be exercised. It is possible that the state of coinage in Formosa may act as a disturbing factor in the successful working of gold monometal-lism in Japan. Much as it was desired to establish a pure and simple gold standard in the island of Formosa, it was found impossible to do so in view of the great difficulty of changing the usages and customs of the Chinese population in that island, and also because of the exceptionally close commercial relationship that is maintained between Formosa and the mainland.

For these reasons while gold is made the standard of value, yet for a limited period of time the silver *yen* is to be allowed to circulate as legal tender at a value fixed by the Government from time to time.

There is no doubt that in order to lay the foundations of a national currency system firmly and lastingly, it is highly desirable to supply enough hard money for ordinary transactions. It was for this reason that as soon as the Government took steps for the substitution of the convertible notes for the inconvertible paper money, an increased appropriation was made for coining 10- and 20-sen silver pieces, so that as fast as produced they were issued in exchange for the paper money of smaller denominations, consisting of 50-, 20- and 10-sen pieces; the last named 10-sen piece being finally withdrawn from circulation on the 30th of June, 1887. The 50- and 20-sen pieces yet in circulation have been reduced now to an insignificant proportion. Besides, at the time the Coinage Law was promulgated, there were in circulation more than 66,000,000 yen of the one-yen convertible notes of the Bank of Japan, which were being used by the people in their smaller daily transactions. The plan adopted by the Government was to make the further issue of 40 million yen of various subsidiary coins, consisting of 50-sen and other smaller denominations, and in exchange for these to retire the 1-yen silver notes of the Bank of Japan. When the plan is realized the total amount of subsidiary coins in circulation, consisting of silver, nickel and copper pieces will reach the sum of 81,820,000 yen, making about two yen per capita of the population. It seems to me that in view of the present economic condition of the country, this is just about what the people would need. Up to the end of March, 1899, about twenty seven millions of these silver coins had been minted and made to circulate in place of 1-yen convertible notes, which are now being gradually withdrawn from circulation. It will not be long before the object aimed at by this measure will be fully attained.

To recapitulate, it will be noted that there are four periods in the coinage history of modern Japan. The first period extends from 1868 (1st year of *Meiji*) to 1871, in which the beginning was made of the establishment of the new currency system by the promulgation of the New Coinage Regulations of 1871. The main effort of the finance ministers of those days was directed to the adjustment of the disordered conditions of finance and coinage, created by the revolutionary state of affairs at the close of the *Shogunate régime*.

The second period extends from 1872 to 1879. This period is marked for the founding of the Government Mint and the issue of new coinage, but more marked for the enormous issues of inconvertible paper money which brought about all the evils of inflation.

The third period extends from 1880 to 1885, in which the efforts of the Government were directed to replacing the inconvertible paper money with the convertible notes; which prepared the way for the final inauguration of the gold standard system, though for a time it resulted in the establishment of a de facto silver standard.

The fourth period extends from 1886 to 1898, in which the silver standard was changed into a gold monometallic system.

It will be noted that the first, second and third periods are marked by efforts directed to the adjustment of the coinage system, in view of the conditions of things at home; while the fourth period is marked by the attempt to adapt the national coinage system to the conditions of things abroad,—these conditions of things being chiefly characterized by sudden and great fluctuations in the price of silver, endangering the safe economic growth of our country.

In conclusion I can not refrain from expressing my humblest and deepest gratitude to His Majesty, the Emperor, that, owing to His over-ruling gracious wisdom, the councils of His ministers on financial matters have, during these troublesome times, been invariably marked with wisdom and judgment,

and the officials of all grades concerned have performed their duties well, so that there has taken place thus far an orderly and progressive development in the financial affairs of the empire.

It is plain, however, that in order to strengthen the foundations of the gold standard system now established, it will be necessary in the future not only to keep up but to increase the gold reserves of the Bank of Japan. It will also be necessary that efforts be increasingly directed toward the development of the agricultural and industrial enterprises of the country and the consequent growth of foreign trade. In these efforts, allow me to humbly assure Your Excellency, that I shall not be found remiss, so that His Majesty's gracious intentions may be as far as possible realized.

I have &c.,

Count Matsukata Masayoshi H. I. J. M's Minister of State for Finance.



REPORT

ON

THE ADOPTION OF THE GOLD STANDARD

IN

JAPAN.

CHAPTER I.

SUCCESSIVE STEPS IN THE DEVELOPMENT OF THE COINAGE SYSTEM SINCE THE EARLY YEARS OF MEIL!

SECTION I.

Promulgation of the New Coinage Regulations: circumstances that led to the change of the gold standard into a gold and silver bi-metallic system.

The monetary system in vogue in the last days of the Tokugawa Shogunate was based on the system which was established in the 6th year of Keicho (1600 A.D.). That system has remained unchanged for more than two hundred and sixty years. Yet various causes have together combined to practically destroy that system and bring the currency of the country into the greatest disorder. As chief among these causes there may be mentioned the fact that the coins in circulation became debased, losing both in quality and quantity through successive recoinage, to which the Shogunate government invariably resorted, as its relief measure, at times of financial distress; the only case of recoinage in which debasement did not take place being that of the Kioho era (1715-1734 A.D.). In addition to this main cause there must be mentioned the fact that some of the Han (or Daimio) governments (of which there were altogether some two hundred and seventy) secretly coined money, and that as the quality

of the coins deteriorated, the cases of counterfeits became increasingly numerous. Most of these *Han* governments also issued for circulation within their respective jurisdictions paper money, whose value in most cases underwent an extraordinary depreciation.

After the country was opened to trade with Western nations, the *Shogunate* government was the first to realize the greatness of the loss from which the country was suffering, on account of the disordered state of coinage. Before any steps were taken, however, toward reform, the *Shogunate régime* was over-

thrown and the Restoration régime ushered in.

The Imperial Government at once felt the pressing need of a monetary reform and in April 1868, while the revolutionary wars were yet going on, a plan of recoinage was drawn up and adopted. Steps were immediately taken to found a Government Mint, and in November 1869 it was determined to base the new coinage on the metric system, making silver the standard unit of value and gold subsidiary. In November 1870 the Government Mint began to coin silver. While such steps were being taken at home, there arrived early in 1871 a memorandum from Mr. Ito Hirobumi, Vice Minister for Finance, then traveling in the United States. In that memorandum Mr. Ito (now Marquis) sets forth the advantage of adopting a gold standard. The memorandum runs as follows:—

Reasons for Basing the Japanese New Coinage on the Metric System.

According to the coinage system recently adopted in Japan, the silver yen is the standard unit of value, so that it may be used as legal tender in transactions to any amount; the smaller coins, various fractions of one yen, are to be the subsidiary medium of exchange, each kind being permitted as legal tender in transactions amounting to one hundred times its value. There is besides the gold yen, but it is subsidiary and may be used in the payment of sums not more than ten times its value or one hundred yen.

The silver yen consists of 90 per cent. of pure silver, its weight being 416 Troy grains. It is equal in quality to the American dollar, but

slightly exceeds the latter in weight; for the American dollar weighs $412\frac{1}{2}$ grains. The different fractional silver coins weigh in proportion to the fraction of the unit *yen*. This system now adopted by the Government is based on the system adopted some years ago by the English Government for coinage in Hongkong; only, the subsidiary gold coin is a new idea.

The new coinage system of Japan is in many respects like the system in vogue in America and England. The chief difference being that while in Japan the silver yen is made the standard unit of value, in England and America gold is the standard of value, gold coin being legal tender to any amount. Silver coins are treated in these countries as subsidiary, their legal tender circulation being limited to small sums only; (the sum of five dollars in the United States, that of forty shillings in England being regarded as the maximum amounts). In Japan gold being treated as subsidiary its limit as legal tender is fixed at one hundred yen, an exceptionally large amount. I presume the Government is in hopes that, on account of such exceptional treatment, the gold coin will always remain abundant, while the silver yen will gradually wear out through constant handling; so that in course of time gold will of itself become the standard unit of value. Should such hopes be indeed realized, the Japanese gold coin being almost equal in value to the American gold coin, the prices of gold and silver in Japan and California will tend gradually to be on a par.

But the Japanese 10-yen gold coin is lighter in weight than the American 10-dollar gold piece, for while the former weighs 248 grains, the latter weighs 258 grains. Not only is it lighter in weight than the American gold piece, it is even lighter than the English gold coins; for two English sovereigns (one sovereign is one pound sterling) weigh 251.1 grains. Still again, the Japanese gold piece is lighter than the French; for the fifty franc pieces weigh 248.9 grains.

Just now there is under discussion in the House of Representatives of the United States, a bill for establishing an international system of coinage. The ten dollar gold piece according to that system is to weigh 257.2 grains or $16^{2}/_{3}$ grammes. Now if the Japanese gold piece were slightly increased in weight so as to equal this international standard coin, it would seem that the coinage system of Japan would be established on a sound basis and be forever free from all fluctuations of exchange value. In case the Japanese coinage system is to be thus remodelled, the weight of each coin will have to be altered as laid down in the following table.

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		Fineness	Weight of 1-yen	Troy grains
Silver yen	Standard unit†	9/10	Fine Silver = 5 Pentagrammes	Fine Silver = 385.80872
Gold yen	Subsidiary*	9/10	5 Tiers-grammes with ¹ / ₁₀ part of Copper	25.72058133, 1/10 part of which being Copper. Fine Gold = 23.1485232
Silver Coins which are fractions of 1-yen	Subsidiary	9/10	5 Pentagrammes with 1/10 part of Copper	385.80872, $1/_{10}$ part of which being Copper. Fine Silver = 347.227848

[†] Legal tender to any large amount.

I give below for reference a table showing the weights of different coins according to the proposed international system now under discussion in the House of Representatives of the United States.

1		Fineness	Weight of 1 dollar	Troy grains
Silver dollar T	'rade dollar†	9/10	Fine Silver = 5 Pentagrammes	Fine Silver = 385.80872
Gold dollar St	tandard unit*	9/10	5 Tiers-grammes with $^{1}/_{10}$ part of alloy	25.72058133, 1/10 part of which being Copper. Fine Gold = 23.1485232
Silver Coins which are fractions of 1 dollar	Subsidiary ‡	9/10	5 Pentagrammes with ¹ / ₁₀ part of alloy	385.80872, 1/10 part of which being Copper. Fine Silver = 347.227848

[†] Legal tender to any large amount.

The trade dollar in the above table is intended to be used for trade with China and other Eastern countries. The ratio of gold and silver in the new coinage system of Japan is 1 of gold to 16.77 of silver. If this ratio should now be changed to 1 of gold to $16^{2}/_{3}$ of silver basing it on the metric system, a 10-yen gold piece would contain 231.48 grains of fine gold. In that case at the fineness of $^{9}/_{10}$ the weight of the coin would be 257.2 grains or $16^{2}/_{3}$ metric grammes. The 1-yen silver piece coined according to this ratio would contain 385.80872 grains of fine silver, which at the fineness of $^{9}/_{10}$ would make the coin weigh 424.38959 grains.

It will be remembered that according to the system already adopted the silver *yen* weighs 416 grains and the gold 10-*yen* piece 248 grains.

The metric system, according to which I suggest our coinage system be re-established, is a system of weights and measures which originated in France, and has now passed into universal use throghout the world. The proposed international coinage system will be based on this system.

Let me quote what Mr. Kelly, chairman of the American Coinage Committee, says in one of his writings:—

^{*} Legal tender only up to 10 times its value.

k do

[‡] Legal tender up to 5 dollars.

"The United States of America has adopted the French Metric System of weights and measures for the purposes of coinage and postage. Now that we have adopted this system the nations of the world will be compelled to adopt it also. Our adoption of this system was therefore not merely for our own advantage but also for the ultimate benefit of the world at large. The metric system of coinage was for the first time adopted in the United States, it being three years afterward that France followed our example. Canada, too, followed our example and is now using dollars and cents. There is no question that other nations will gradually adopt this system, for the people of every country will come to see how easy and simple the monetary calculation becomes, either in subtraction or multiplication, if that system is adopted."

In regard to the question which metal should be made the standard of value, the opinion of the economists all tend to coincide in regarding gold as the fitest metal for standard. That Austria, Holland and some other countries still maintain a silver standard is probably due to the great difficulty of changing the old system. If a system of coinage were to be newly established by any of these countries, there is no question but that the gold standard would be invariably adopted. It will be a wise policy for Japan, therefore, to consider the trend of opinion in Western lands and establish her new system in accordance with the best teachings of modern times. It may be that for the time, being, on account of the possible great loss to the country from the too sudden adoption of the gold standard, a silver standard may have to be maintained. Otherwise there is no question that gold is the best metal for the standard of value. If the gold standard is introduced, silver may be fitly coined for a subsidiary medium of exchange, putting a limit to its legal tender amount. It may be as well to establish our system as laid down in the table given above, provisionally making silver the standard; strictly keeping in view, however, the time when gold will be made to supersede silver as the standard of our system of coinage.

P.S. The foregoing memorandum was written necessarily in haste and I must confess there are no few repetitions and some confusion in statement. The main points I wanted to emphasize were:—

1. The necessity of slightly reducing the weight of the unit of value of the silver coinage; and

2. To determine the weight of the gold coin according to the metric system.

Written in America on the 29th day of December [1870]
(Signed) HIROBUMI.

The above memorandum was chiefly instrumental in effecting a change in the coinage policy of the country. The

Government decided to adopt at once the gold standard, and issued the New Coinage Regulations on the 10th of May 1871. These Regulations, together with the introductory statement of reason for change, run as follows:—

The Imperial Ordinance of the 10th day of May of the 4th year of Meiji (1871).

Owing to the fact that the past relations of the Empire with foreign lands have not been very close, the system of coinage now in vogue is crude and unscientific. There is much variety in the kind of coins and in the standard of value, so that there is no uniformity in the system. For instance among the gold coins there are the Keicho, the Kioho, the Monji, the Oban and Koban, the Ichibu, the Nibu, the Nishu, while among the silver coins there are the Ichibu, the Ichishu; besides these there are also the Tohiyaku sen and other copper coins of various descriptions. There are also some coins which circulated only for a limited period, but which circulate now no longer. Again other coins there are which are limited in circulation to one province or even one district. Added to these is the fact that the coins of same denominations do not always possess the same quality and size, there being no legal standard of weight and fineness. All this confusion is increased vet more by the presence of numerous counterfeits. Such being the state of things the bad coins are fast driving away the good ones from circulation, either to be hoarded or exported into foreign lands, so that the depreciation of coins daily grows greater. This state of things has greatly curtailed the usefulness of coinage as the medium of exchange, causing universal suffering. It is plain, therefore, that all these results have been brought about from the lack of a uniformity in the standard and quality of the coinage. Now that the trade with foreign countries is daily increasing, the reform of coinage is the most pressing necessity of the hour, and it is indeed the one essential foundation for the prosperity of the country. For these reasons the Government took steps already in 1868 to found the Government Mint at Osaka at an enormous expense. It is besides the intention of the Government to adopt a system of coinage which shall be in consonance with the best usages of the nations of the world. and to issue new coins in accordance with this system, so that the old coins may gradually be replaced. Since coinage is the medium of exchange for all people, the Government Mint will be freely open to all, so that any private person may bring bullion to be coined into money. It is highly important for the people to remember that the old coins which are now being hoarded as treasures will cease before long to pass as money, and they will do well to bring without delay the coins thus hoarded to the Government Mint to be recoined. It was indeed from the sense of duty on the part of the Government to afford protection to the people that the Mint was newly founded, so that it is desirable that the people on their part shall diligently co-operate by faithfully performing their heaven-appointed duties. These then are the reasons for which the New Coinage System is now established. The shapes as well as the weight and quality of the New Coins, and the rate of exchange of bullion for the New Coins are all explained in the New Coinage Regulations herewith issued.

The New Coinage Regulations.

- The standard unit of the new coinage shall be called yen and all reckonings and calculations of money shall be made whether large or small by the addition of numerals to the unit yen. Amounts less than one yen shall be estimated in terms of sen or one hundred the part of one yen, and rin or one tenth part of one sen.
- 2. All calculations shall be made according to the decimal system of reckoning, ten 1-rin pieces making 1 sen, ten 1-sen pieces making 10 sen, ten 10-sen pieces making 1 yen, above which there are 10 yen, 100 yen, &c., up to any large amount. In the case of 5-rin, 50-sen, 5-yen, &c. the numbers are produced by dividing decimal numbers by two; while 20-sen, 2-yen, 20-yen, are produced by multiplying decimal numbers by two.
- 3. There will be no coins smaller than rin, but such smaller amounts as are below one rin may be made in terms of mo, si, kotsu, bi, çen. The numbers above one man or 10,000, may be counted also decimally, as 10 man, 100 man, 1000 man, while 10 times 1000 man make 1 oku, after that 10 oku, 100 oku, &c.
- 4. The relative value of the New Coinage and the old shall be as follows: 1-yen=1-rio or $1000 \ mon$, 50-sen=2-bu or $500 \ mon$, $10-sen=\frac{1}{10}$ rio or $100 \ mon$, $1-sen=\frac{1}{100}$ rio or $10 \ mon$, $1-rin=\frac{1}{1000}$ rio or $1 \ mon$.
- 5. The fineness and weight of the New Coinage shall be as shown in the following tables. Yet it is unavoidable, even with the best of care in the process of melting and minting, for coins to be without insignificant differences; the remedy or legal allowance for such imperfections is also indicated in the following tables.

		GOLD COINS	20-yen	10 -yen	5 -yen	2 -yen	1-yen
	On the unit	Fine Gold	900	900	900	900	900
	of 1000	Alloy	100	100	100	100	100
	Weight of Fine	Troy grain	462.97	231.48	115.74	46.29	23.15
	Gold	Metric gramme	30.00	15.00	7.50	3.00	1.50
	1 337 * 1	Troy grain	514.41	257.20	128.60	51.44	25.72
	Weight of coin	Metric gramme	33 1/3	16 ² / ₃	8 1/3	3 1/3	1 2/3
e ship	Remedy in Fineness		.002	.002	.002	.002	.002
Remedy or legal allowance for imperfection of workmanship	Remedy in	Troy grain	1/2	1/2	$^{1}/_{2}$	1/4	1/4
gal alle	weight for each coin	Milligramme	32.40	32.40	32.40	16.20	12.20
or leg		Number of pieces	1000	1000	1000	1000	1000
medy	Remedy in	Troy grain	72.00	48.00	36.00	24.00	12.00
Re for ir	weight for total number	Metric gramme	4.665	3.110	2.333	1.555	0.778
		SILVER COINS	1-yen	50 -sen	20 -sen	10 -sen	5 -sen
	On the unit	Fine Silver	000				
		2 1110 812,02	900	800	800	800	800
	of 1000	Alloy		200	200	800	800
	1						
	of 1000	Alloy	100	200	200	200	200
	of 1000 Weight of Fine Silver	Alloy Troy grain Metric gramme Troy grain	100 374.40 24.26726	200	200	200	200
	of 1000 Weight of Fine	Alloy Troy grain Metric gramme Troy grain	100 374.40 24.26726	200 154.40 10.00 193.00	200 61.76 4.00	200 30,88 2.00	200 15.44 1.00
	of 1000 Weight of Fine Silver	Alloy Troy grain Metric gramme Troy grain Metric gramme	100 374.40 24.26726 416.00	200 154.40 10.00 193.00	200 61.76 4.00 77.20	200 30.88 2.00 38.60	200 15.44 1.00 19.80
	Weight of Fine Silver Weight of coin Remedy in Fineness	Alloy Troy grain Metric gramme Troy grain Metric gramme Troy grain	100 374.40 24.26726 416.00 26.9563	200 154.40 10.00 193.00 12.50	200 61.76 4.00 77.20 5.00	200 30.88 2.00 38.60 2.50	200 15.44 1.00 19.80 1.25
	Weight of Fine Silver Weight of coin	Alloy Troy grain Metric gramme Troy grain Metric gramme Troy grain	100 374.40 24.26726 416.00 26.9563 .002	200 154,40 10.00 193,00 12.50 ,002	200 61.76 4.00 77.20 5.00	200 30.88 2.00 38.60 2.50	200 15.44 1.00 19.80 1.25
	Weight of Fine Silver Weight of coin Remedy in Fineness Remedy in weight for each	Alloy Troy grain Metric gramme Troy grain Metric gramme Troy grain	$ \begin{array}{r} 100 \\ 874.40 \\ 24.26726 \\ 416.00 \\ 26.9563 \\ .002 \\ 1\frac{1}{2} \\ 97.20 \end{array} $	$ \begin{array}{c c} 200 \\ 154.40 \\ 10.00 \\ 193.00 \\ 12.50 \\ 002 \\ \hline 1 \frac{1}{2} \end{array} $	200 61.76 4.00 77.20 5.00 .002	200 30.88 2.00 38.60 2.50 .002	200 15,44 1.00 19,80 1.25 .002
Remedy or legal allowance for imperfection of workmanship	Weight of Fine Silver Weight of coin Remedy in Fineness Remedy in weight for each	Alloy Troy grain Metric gramme Troy grain Metric gramme Troy grain Milligramme Number of pieces Troy grain	$ \begin{array}{r} 100 \\ 874.40 \\ 24.26726 \\ 416.00 \\ 26.9563 \\ .002 \\ 1\frac{1}{2} \\ 97.20 \end{array} $	$ \begin{array}{c c} 200 \\ 154.40 \\ 10.00 \\ 193.00 \\ 12.50 \\ .002 \\ \hline 1^{1}/_{2} \\ 97.20 \\ \end{array} $	200 61.76 4.00 77.20 5.00 .002 1.00 64.80	200 30.88 2.00 38.60 2.50 .002 1/ ₂ 32.40	200 15,44 1.00 19.80 1,25 .002 1/ ₂ 32,40

The following three tables are herewith omitted;—
 Table showing grammes and grains as compared with their equivalents in denominations in use in Japan.
 Table showing the standard coins of England, France and the United States of America, as compared with the standard coins of Japan.

3. Table showing the forms of the New Coins, with their quality and weight.

Limitations in the circulation of the New Coinage.

1. The standard coins are to be of gold consisting of 20-yen, 10-yen, 5-yen, 2-yen, and 1-yen pieces, of which one yen shall be the standard unit of value. These gold coins are all legal tender and may be used in monetary transactions to any amount.

By the standard coin is meant the coin whose value is the standard on which the values of other coins are based. Hence there is no need of limiting the amount in which they may be legally used in transactions. 1-yen gold is the standard unit of value because it is the standard on which the values of other coins are based.

2. The silver coins which consist of 50-sen, 20-sen, 10-sen and 5-sen pieces are issued as subsidiary money. They are legal tender, either in one kind or in different kind, up to the amount of ten yen only.

The copper coins which consist of 1-sen, 1/2 sen, and 1-rin are also subsidiary money and may be used as legal tender up to the amount of one yen only.

By the subsidiary money is meant the smaller coins issued to assist in the circulation of currency. Their legal values are fixed by Government regulations. Hence the need of limiting the amount beyond which they may not be used in transactions.

- 3. The 1-yen silver piece is to be coined during a limited period of time, particularly in response to the desires of individuals both Japanese and foreign, in order to facilitate trade at the treaty ports. This silver yen shall be legal tender at the treaty ports, so that they may be used in the payment of all custom duties and of taxes by the foreign residents, as well as in all monetary transactions between the Japanese and foreigners. This coin shall not be legal tender outside of the treaty ports limits, though of course it may be freely used in transactions where parties concerned mutually consent to its use.
- 4. The relative legal value of the silver yen and the gold yen at the treaty ports shall be 100 silver yen to 101 gold yen.

Thus while there was introduced at this early date a gold standard system in Japan, at the same time a silver yen was also to be coined as legal tender money in the treaty ports. This was due the fact that the Mexican dollar was at that time universally used in the commerce of the Far East, so that

the coining of the silver yen was considered a necessity. In February 1875, by Imperial Ordinance No. XXXV, the Government changed the name of the silver yen to Boyeki gin or trade dollar, and its weight from 416 grains to 420 grains. The Ordinance runs as follows:—

Imperial Ordinance No. XXXV of the 28th day of February of the 8th year of Meiji (1875).

The One-yen silver hitherto coined at the Government Mint at Osaka shall be hereafter increased in weight and called Boyeki gin (or trade dollar). Its form, lettering, weight, remedy and seigniorage are to be as shown in the adjoined table.

Trade dollar (new)			
Front	Size	1 sun 2 bu 4 rin (Japanese) or 1.5 inch (English)	
登易	Weight	7 momme 2 fun 4.5 rin (Japanese) or 420 grains (English)	
The state of the s	Fineness	9 parts silver 1 part copper	
Back 420 GRAING ANIA COS SOLUTION DOUBLE STATE OF THE PROPERTY OF THE PROPE	Remedy in weight	1 grain for each piece	
	Remedy in fineness	2/1000	
	' Seiguiorage	1.5 per cent.	



The chief motive in making this change was to drive off the Mexican dollar and replace it with the Trade dollar, but it was found out very soon that the attempt was a failure. The Government soon ceased to coin the Trade dollar, and returned again to coining the silver yen. The Imperial Ordinance which effected this change runs as follows:—

Imperial Ordinance No. XXXV of the 26th day of November of the 11th year of Meiji (1878).

The coining of the *Boyeki-gin*, [or Trade dollar] (as shown by sample copy and of increased weight) according to Imperial Ordinance No. XXXV, of February of the 8th year of *Meiji* shall be suspended, and the coining of *Boyeki* 1-yen silver piece, (as shown by sample of the revised design) according to Imperial Ordinance No. XXXIV of March, 7th year of *Meiji*, resumed instead.

The New Coinage Regulations underwent a slight modification and had its title changed to the Coinage Regulation, dropping the term "new," by Imperial Ordinance No. CVIII of June, 8th year of Meiji; yet further alteration was effected in the 4th paragraph of the Limitations in the circulation of the New Coinage, by Imperial Ordinance No. XXVII of March, 9th year of Meiji, which made that paragraph to read as follows:—

Imperial Ordinance No. XXVII of the 4th day of March of the 9th year of Meiji (1876).

The relative legal value of the *Boyeki-gin* (both new and old) and gold *yen*, in the payment of custom duties as well as in the payment of all taxes by the foreigners, shall be 100 silver pieces to 100 gold pieces.

All these different measures were, however, not sufficient to maintain gold monometallism in healthy growth. The issuing of a large amount of inconvertible paper money drove specie, especially the gold coins, out of the country. This and the smallness of the natural output of gold in Japan both constituted reasons which, in 1878, led Mr. Okuma Shigenobu (now Count), at that time Minister of Finance, to advise the Government to adopt gold and silver bimetallism, as a policy more conducive to the country's prosperity. The Government acting on his advice, by Imperial Ordinance No. XII of May, 1878, sanctioned the free use of the silver yen and the Trade dollar as legal tender throughout the country. The silver yen piece thus acquired the same legal value as one yen gold, and the system of coinage was changed from the gold standard to the gold and silver bi-metallic system.

The following three tables are adjoined for reference concerning some of the statements made in this section.

TABLE I.

TOTAL AMOUNT OF THE COINAGE ISSUED

From the founding of the Government Mint in November 1870 to September 1897.

Ye	ears	Gold coins	Silver yen	Subsidiary silver pieces	Nickel pieces	Copper pieces	Total
A.D.	Meiji	yen	yen	yen.	yen	yen,	yen
1870	3rd	0	0	0	0	0	0
1871	4th	2,666,639 000	2,740,245 000	1,409,831 100	0	0	6,816,215 100
1872	5th	26,303,577 000	3,685,049 000	3,858,525 650	0	0	33,847,151 650
1873	6th	45,671,232 000	3,685,049 000	7,615,902 650	0	13,014,860	56,985,198 510
1874	7th	49,427,944 000	4,627,055 000	9,680,884 800	0	438,661 010	64,174,544 810
1875	Sth	50,338,101 000	4,863,953 000	11,021,067 600	0	1,312,594 970	67,535,716,570
1876	9th	51,108,699 000	6,378,582 000	14,328,200 200	0	2,330,897 820	74,146,379 020
1877	10th	51,798,596 000	7,530,855 000	17,069,464 550	0	3,446,715,070	79,845,630 620
1878	11th	52,304,586 000	8,679,394 000	19,122,776 850	0	4,352,801 400	84,459,558 250
1879	19th	52,730,681 000	10,592,712 000	19,142,136 750	0	5,228,419 860	87,693,949 610
1880	13th	53,127,907 000	16,020,144 000	19,142,257 100	0	6,301,199 380	94,591,507 480
1881	14th	53,874,152 000	18,947,553 000	19,142,257,100	0	7,321,592 010	99,285,554 110
1882	15th	54,439,227 000	24,036,617 000	19,142,257 100	0	8,519,569,650	106,137,670 750
1883	16th	54,982,957 000	27,673,295 000	19,142,257 100	0	9,590,361 560	111,388,870 660
1884	17th	55,551,797 000	31,272,487 000	19,142,257 100	0	10,577,611 330	116,544,152 430
1885	18th	56,554,832 000	35,569,107 000	21,164,694'800	0	11,201,906,050	124,490,539,850
1886	19th .	57,454,077 000	44,653,369 000	21,164,694 800	0	11,629,924 150	134,902,064 950
1887	20th	.58,350,592 000	52,929,156 000	23,165,807,400	0	12,030,678 220	146,476,233 620
1888	21st	59,179,562 000	62,406,570 000	23,910,096 000	0,	12,418,051 040	157,914,279 040
1889	22nd	60,949,132 000	71,701,918 000	24,124,314 300	1,442,097 200	12,418,051 040	170,635,512 540
1890	23rd .	62,139,512 000	78,994,795 000	24,124,314 300	3,405,002 350	12,418,051 040	181,081,674 690
1891	24th	63,219,957 000	86,512,807 000	25,124,314 300	4,201,241 450	12,418,051,040	191,476,370 790
1892	25th	64,535,472 000	97,700,420 000	16,235,252 900	4,676,755 900	12,418,051,040	205,565,951 840
1893	26th	65,837,592 000	108,103,897 000	28,124,314 300	5,103,348 800	12,418,051 040	219,587,203 140
1894	27th	67,219,056 031	128,682,113 616	30,124,314 300	5,837,348 800	12,418,051 040	244,280,883 787
1895	28th	68,807,219 517	150,789,772 157	32,624,314 300	5,888,848 800	12,418,051 040	270,528,205 814
1896	29th	69,945,429 406	162,288,138 988	34,917,314 300	6,144,531 250	12,418,051,040	285,713,464 984
1897 (Sept.)	30th (Sept.)	70,578,112 000	165,133,710 000	37,875,314 300	6,628,748 800	12,418,051 040	292,633,936 140

TABLE II.

AMOUNT OF THE GOLD COINS ISSUED

From the founding of the Government Mint in November 1870 to September 1897.

			-			
Years	20-yen piece	10-yen piece	5-yen piece	2-yen piece	1-yen piece	Total
A.D. Me	ii yen		yen	yen	yen	yen
	h 744,340 000	267,870,000	1,367,680 000	215,218,000	71,531,000	2,666,639 000
1872 5	th 176,800 000	17,730,570 000	5,288,140 000	264,252 000	177,176 000	23,636,938,000
1873 6	h o	671,880 000	15,744,625 000	1,287,038 000	1,664,112 000	19,367,655 000
1874 7	h o	0	3,640,410 000	0	116,302 000	3,756,712 000
	h 640 000	490 000	908,910 000	78 000	39 000	910,157,000
1876 9			731,130 000	0	138 000	770,598 000
1877 10			681,355 000	356 ¹ 000	7,246 000	689,897 000
1878 111	h 0	0	505,990 000	0	0.	505,990 000
1879 121	h o	0	426,095 000	0	0	426,095,000
1880 131		1,360 000	393,520 000	174 000	112 000	397,226 000
1881 141		0	746,245 000	0	0	746,245 000
1882 150		0	565,075 000	0,	0	565,075,000
1883 16		. 0	543,730 000	0	0	543,730 000
1884 . 170		0	568,840 000	0	0	568,840 000
1885 18	T 1	0	1,003,035 000	0	0	1,000,005 000
		1 0	899,245 000	0 .	0	899,245,000
2000			896,515 000	. 0	0	896,515 000
1887 20t	11	U,	0001910 000			

Ye	ears	20-yen piece	10-yen piece	5-yen piece	2-yen piece	1-yen piece	Total
A.D.	Meiji	yen	yen	yen	yen	yen	yen
1888	21st	0	0	828,970 000	0	0	828,970 000
1889	22nd	0	0-	1,769,570 000	0, .	0	1,769,570 000
1890	23rd	0	0 -	1,190,380 000	0 1	0	1,190,380 000
1891	24th	0	0 ;	1,080,445 000	0	0 '	1,080,445 000
1892	25th	0	0	1,315,515 000	0	.0	1,315,515,000
1893	26th	0	0	1,302,120'000	0	0	1,302,120 000
1894	27th	* 240 000	* 110 000	1,382,468 521	* 30 000	* 624 490	1,381,464 031
1895	28th	0	0	1,588,150 475	0	13 011	1,588,163 486
1896	29th	40,000	20 000	1,138,129 312	4 000	16 577	1,138,209 889
1897 Sept.)	30th (Sept.)	200 000	90 000	631,771 692	26 000	594 902	632,682 594
То	tal	944,500 000	18,691,780 000	47,138,060 000	1,767,116 000	2,036,656 000	70,578,112 00

*These sums are to be deducted in making total estimates. Previous to 1894 the promissory notes of the Government Mint were included in the estimate of the amount of the coins issued, but since that year a change was made to exclude those promissory notes and count in only the amount of the coin actually issued. The figures marked with * give that part of the promissory notes of the Mint issued in 1893, which was not actually exchanged with coin before the end of that year.

TABLE III.

AMOUNT OF 1-YEN SILVER COINS ISSUED

From the founding of the Government Mint in November 1870 to September 1897.

37.	ears	1-yen silver		Subsidiary si	lver coins		Total
1.6	58185	1-yen Silver	50-sen	20-sen	10-sen	5-sen	(subsidiary)
A.D.	Meiji	yen	yen	yen'	yen ,	yen!	yen
1871	4th	2,740,245 000	903,146 500	172,446 200	258,664 800	75,073,600	1,409,331,100
1872	5th	944,804,000	1,324,154 500	690,156 800	351,602 600	\$3,280 650	2,449,194 550
1873	6th	0	1,723,866,500	1,242,856 800	510,995 100	279,658 600	3,757,377 000
1874	7th	942,006,000	47,652 000	604,848 400	1,022,157 100	390,324 650	2,064,982 150
1875	Sth	236,898 000	54 500	122,547 200	897,741 900	319,839 200	1,340,182 800
1876	9th	1,514,629 000	625 500	1,840,178 400	1,189,007 500	277,321 200	3,307,132 600
1877	10th	1,152,273 000	47 500	1,039,946 200	1,467,094 700	234,175 950	2,741,264 350
1878	11th	1,148,539 000	92,126 500	545,394 400	564,676 500	851,114 900	2,053,312 300
1879	12th	1,913,318 000	0	0	3,442 400	15,917 500	19,359 900
1880	13th	5,427,432 000	89 500	19 200	7 700	3 950	120 350
1881	14th	2,927,409 000	0	0	0	0,	0
1882	15th	5,089,064 000	0	0-	0	0+	0
1883	16th	3,636,678 000	0	0	0	0.	0
1884	17th	3,599,192 000	0	0	0.	0	0
1885	18th	4,296,620 000	204,960 000	841,144 400	976,323 300	0	2,022,437 700
1886	19th	9,084,262 000	0	0	0	0,	0
1887	20th	8,275,787,000	0	958,951,000	1,042,161 600	0	2,001,112 600
1888	21st	9,477,414 000	0	20,868 000	723,420 600	01	744,288 600
1889	22nd	9,295,348 000	0	119,916 000	94,302 300	0:	214,218 300
1890	23rd	7,292,877 000	0)	0	0	0)	0
1891	24th	7,518,012 000	0	500,000,000	500,000 000	0	1,000,000 000
1892	25th	11,187,613 000	0	610,938,600	500,000 000	0	1,110,938 600
1893	26th	10,403,477 000	0	689,061 400	1,200,000 000	0.	1,889,061 400
1894	27th	20,578,216 616	0	900,000,000	1,100,000,000	0.	2,000,000 000
1895	28th	22,107,658 541	0	1,210,000 000	1,290,000 000	0	2,500,000 000
1896	29th	11,498,366 831	0	705,000 000	1,588,000 000	0	2,293,000 000
1897 (Sept.)	30th (Sept.)	2,845,571 012	410,000 000	1,505,000 000	1,043,000 000	0:	2,958,000 000
To	otal	165,133,710 000	4,706,723 000	14,319,273 000	16,322,608 100	2,526,710,200	37,875,314 300

TABLE IV.

AMOUNT ISSUED OF THE NICKEL AND COPPER PIECES

From the founding of the Government Mint in November 1870 to September 1897.

Ye	ears	Nickel -		Copper	pieces		Total
		THEREI	2-sen	1-sen	₹ sen	1-rin	(Copper)
A.D.	Meiji	yen	yen	yen	yen	yen	yen
1871	4th	0	0	0	0	0	0
1872	5th	0	0	0	0,	0	0
1873	6th	0	0	13,014 860	0	0	13,014 86
1874	7th	0	78,995 160	255,649,530	84,022,200	6,979 260	425,646 15
1875	Sth	0	456,705 100	328,320 380	85,189 640	3,718 840	873,933 96
1876	9th	0.	516,351 400	380,489 060	121,462 390	0	1,018,302 8
1877	10th	0	661,957 360	305,194 290	148,642,600	23 000	1,115,817 2
1878	11th	0	513,008 380	302,223 600	90,854,350	0	906,086 33
1879	12th	0	352,799 580	373,000 350	149,818 530	0	875,618 4
1880	13th	0	662,846 140	339,478 100	70,454 470	0 810	1,072,779 5
1881	14th	0	769,511 380	161,236 120	89,645,130	0	1,020,392 6
1882	15th	0	870,543 740	191,506 660	132,294 880	3,632 360	1,197,977 6
1883	16th	0	389,523 280	476,130 170	191,010 310	14,128 150	1,070,791 9
1884	17th	0	241,811 720	537,027 680	192,401 240	16,009 130	987,249 7
1885	18th		0	468,463 520	155,831 200	0	624,294 7
1886	19th	0	0	268,861 980	159,156 120	0	428,018 1
1887	20th	0	0	222,495,800	178,258 270	0	400,754 0
1888	21st	0,	0	258,649 390	128,723,430	0.	387,372 8
1889	22nd	1,442,097,200	0	0	0	0	0
1890	23rd	1,962,905,150	0	0	0	0	0
1891	24th	796,239 100	0	0	0	0	0
1892	25th	475,514 450	0	0	0	0	0
1893	26th	426,592 900	0	0	0	0	0
1894	27th	734,000 000	0	0	0	0	0
1895	23th	51,500 000	0	0	0	0	0
1896	29th	255,682 450	0	0	0	0	0
1897 Sept.)	30th (Sept.)	484,217 550	0	0	0	0	0
To	otal	6,628,748 800	5,514,053 240	4,881,741 490	1,977,764 760	44,491 550	12,418,051 0

TABLE V.

AMOUNT OF COINS EXISTING IN THE COUNTRY AT THE END OF EACH YEAR FROM THE ESTABLISHMENT OF THE GOVERNMENT MINT IN NOVEMBER 1870 TO THE END OF SEPTEMBER 1897.

<i>y</i> -1	Years		Gold coins	1-yen silver coins	Subsidiary silver coins	Niekel coins	Copper coins (old and new)	Total	Coin reserve of Coin restrict the Government the Bank	Coin reserve of the Bank of Japan
1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	16.00	٥	yen geo geo 000	9 740 945 000	1 409 331 100	yen	5.624.602882	12.440.817952	yen 87 950	~ O
18/1 (4th	o (name	10 010	96,160,931,000	8 663 334 000	3,858,525,650	0	5,624,602882	39,307,393 532	8,529,350798	0
1079 (cth	11	9	43 551 184 000	3,663,334,000	7,597,452,650	0	5,631,317742	60,446,288392	12,382,120.278	С
10/0 0	11 /	- 25	20,711,743,000	4 579 401 000	8,764,775,200	0	6,059,963 892	59,108,883 092	11,443,845,840	Ξ
10/4 () the	11		99,316,48,000	4 478 033 000	9,610,290,900	0	6,933,897 852	53,339,160752	10,595,606 561	0
_ <	11	-01-2	29,810,904,000	6.140,056,000	12,868,801 500	0	7,952,200,702	56,800,762,202	10,324,355868	0
_5	111	<u>.</u>	95 740 869 000	5 869,485 000	15,546,649 2501	0	9,034,017.912	56,191,014162	10,828,855137	0
	33)	; ; ;	93 997 198 000	6,423,124,000	16,912,549 850	0	9,734,404172	56,297,276,022	15,562,570 569	0
	11	• •	10,899,836,000	7,383,620,000	14,158,987 050	0	10,191,860752	51,557,303 802	9,012,571 437	=
1000 (12th	111	; (S	14 929 448 000	9.442,914 000	9,589,113 500	0	10,665,858 942	44,027,334442		0
	33		13,646,639,000	9,367,598,000	8,135,836,200	0	11,240,607 422	42,440,675,622		0
1001 (14	23)		19 040 148 000	13,849,648,000,	7 499,259 100	0	12,231,163 282	46,622,218382	10,874,924959	0
1552 (19"	"	.	17,655,970,000	17 195,954 000	7,301,311 450	0	13,198,768192	50,351,303 642		0
1000 (10:		; ; ;	11,995,210,000	20,138,400,000	7,368,089,400	0	14,182,618217	58,581,877,617	21,995,273 249	0
1004 (17	33)		19,555,940,000	99,418,577,000	0.525,885,800	0	14,755,567,937	58,977,270,287	27,315,307,529	8,311,461 000
1000 (10 m	13)		19 987 556 000	94,086,570,000	9,253,031,050	0	15,078,536 037	61,705,693,087	10,249,690,030	008 800,229,82
1000 (19	1, 1,		14 110 861 000	99,015,114,000	11,214,580,600	0	11,912,626.872	62,283,182,472	13,354,770356	30,996,675200
1867 (20°1	, , ,	•	14 688 897 000	96,179,766,000	11,982,799,100	0	14,790,247,852	67,650,639 152	3,698,369 393	30,316,371 000
1550 (21)	1 11	5.5	16,955,760,000	81 678,788 000	12,191,948 950	1,111,497,200	12,013,616352	73,709,555,502	16,447,528	31,835,955,000
1000 (527 1000 (99rl	1, 1,	; ; ;	16,921,890,000	97.861,668,000		8,403,612350	11,460,782,478	70,690,678,028	0	27,297,436,000
		i de	17,508,006,000	25 283 981 000	-	1,198,981 450	10,493,139,511	80,175,989.861	0	38,094,180,000
1831 (24"			19 909 757 000	46 991 639 000	14,301,597 150	4,672,795,900	10,162,348511	88,568,137,561	0	42,144,184,000
1002 (25)"	,,,		19,996,191,000	59 194 858 000	-	5,098,078,800	9,921,778 151	95,570,534351	0	41,898,462,000
1893 (Zom	11)	• 000	11,027,010,000	46,909,911,616		5,889,511,050	9,674,161888	91,926,818,680	0	29,215,577,000
1894 (Z/"	11 /	0 7	10.001,010.001	47 109 176 157		5,884,849,050	9,606,016,836		0	25,951,080,000
1895 (28m		9 -	15,203,920,914		23,228,777,050	6,142,167,750	9,878,933,243	102,538,771 437	0	26,858,012,000
1090 (29"	33	fo puo	18, 497, 979, 449			6,626,078500	9,850,952848	109,994,898,340	0	24,597,519 000

Notes:-

Among the figures for the coin reserve of the Bank of Japan, those of the years 1885 to 1889 inclusive contain certain amount of Mexican dollars, yet no separate estimate of their amounts has been made by the Bank. The above figures give the amounts actually existing, the amounts of the coin melted or exported from the country being deducted in each case.

Since the figures are all those of the estimates made prior to the adoption of the gold standard in March 1897, they are in terms of old coinage.

SECTION II.

Issue of inconvertible paper money and the circumstances that led to its over-issue.

As narrated in the preceding section, an important step was taken toward the adjustment of the disordered state of coinage of the latter years of the Shogunate régime, when the Imperial Government reorganized the coinage system through the promulgation of the New Coinage Regulations in May 1871. On the other hand, however, the Government was, during the first years of the Restoration, burdened with the heavy responsibility of providing means for defraying the expenses of the Revolutionary Wars, when there was scarcely any fixed source of revenue to reply upon. It was to meet this emergency that the Government adopted a plan of issuing paper money, acting upon the suggestion of Mr. Mitsuoka Hachiro (now Viscount Uri), who had at the time, as one of the Sanyo*, the charge of financial matters. It was intended purely as an emergency measure. The Imperial Ordinance which was issued in the 19th day of the second † 4th month of the 1st year of Meiji, which gave reasons for the issue of paper money, runs as follows:—

The Imperial Ordinance of the 19th day of the second 4th month of the 1st year of Meiji (1868).

In order to lay the foundations for the wealth of the country, now at the beginning of the Imperial régime, the Government after a general deliberation, propose to issue Kinsatsu [paper money or literally, gold notes] as an emergency measure for the relief of the universal distress among the people. These notes shall circulate throughout the Realm for thirteen years, beginning with the present year [i. e. 1868]. The regulations concerning the issue and circulation of these notes are also hereby promulgated.

The Government shall later notify the public as to the date on which the paper money shall go into circulation.

^{*} Literally the "Councilors", who together with the Gijo, the officials next higher in rank, constituted for all practical purposes the Cabinet of the Imperial Government. The "Councilors" were chosen from the Samurai class, while the Gijo were from the Nobility.

[†] According to the lunal calender of the time, there used to occur a double month at certain fixed intervals, and this was the year in which the double month occurred.

The local authorities are commanded to make known this ordinance as speedily as possible, so that all the people, without exception, may be made acquainted with it.

Issued on the 19th day of the second 4th month of the 1st year of *Meiji*, by the *Daijokwan* [or Seat of the Imperial Government].

- 1. The Government shall make the loan of these notes to Han [or Daimio] governments, at their request, the amount being proportioned to the revenue of each Han, at the rate of 10,000 rio [or yen] for each 10,000 koku of rice.* The Han governments are invited to make application for these loans.
- 2. The liquidation of these loans shall be made by yearly installments, in the same paper money, 10 per cent. of the loans being payable at the close of each year for thirteen years.
- 3. These loans being offered with a view to laying the foundations of national wealth, the authorities of the different *Hans* are hereby enjoined not to spend the paper money thus acquired carelessly and wantonly, but to spend it for the development of useful industry among the people.
- 4. Merchants of Kioto, Osaka and neighborhood also may apply for the loan at the Paper Money Office; the amount allowed in each case being proportioned to the amount of trade carried on by these merchants.
- 5. Farmers and merchants living within the jurisdiction of Sai-bansho† or in the dominions of Daimios may also apply for loans; the amount allowed in each case being proportioned to the amount of property possessed by each individual. These loans shall be paid back in annual installments, with interest on the principal.

In matters concerning the paper money, the people of distant provinces shall be treated in the same way as the merchants of Kioto and Osaka.

6. The paper money paid in on yearly installments shall be all cancelled, by being cut into pieces at the Treasury Office of the Government.

The installments to be paid in on the first year of the loan shall be as follows; for loans made between January and June, 10 per cent., for those made between July and December 5 per cent., at the end of that year.

^{*}The land tax paid in rice was the chief source of revenue with the Han governments, so that their revenues were always estimated in terms of so many Koku (a measure equal to 4.94 bushels) of rice.

[†]Saibansho is a name of local government under the immediate jurisdiction of the Imperial Government, distinguished from the *Han* jurisdictions of the time. Literally "courts" it conducted both the judicial and administrative business.

The object of issuing these notes being to mitigate the tightness of the money market now prevailing, the people are earnestly warned not to misunderstand the gracious intentions of the Imperial Government. Since the paying in of yearly installments is to be made in these same notes, these notes are not convertible in specie.

While thus avowdly the object of issuing these notes was proclaimed to be the supplying of capital for the development of industry, it can not be gainsaid that another very urgent reason was in this way to find the means of supplying a large deficit in the Government revenue. These notes were indeed what became well known afterward as Daijokwan Satsu, (or the notes of Daijokwan); their circulation was begun on the 15th day of the 5th month of the 1st year of Meiji (1868), coming up in amount to 48,000,000 rio at the end of the 12th month of the 2nd year of Meiji. They consisted of 10-rio, 5-rio, 1-rio, 1-bu, and 1-shu pieces, five denominations in all. On the 17th day of the 9th month of the 2nd year of Meiji (1869), another Imperial Ordinance appeared in regard to the issuing of the Minbusho Satsu, or the notes issued by the Home Department. The end sought after was to relieve the current distress from the lack of small currency. Hence these notes of the Home Department were to be all of smaller denominations, and to be issued in exchange for the Daijokwan Satsu of denominations above 1-rio.

The Imperial Ordinance of the 17th day of the 9th month of the 2nd year of Meiji (1869).

It is reported that there is much distress among the people of the poorer classes, especially in places far from the centres of business, on account of the lack of currency of smaller denominations. In order to relieve this distress, the Bureau of Commerce of the Home Department shall issue at no distant date smaller notes consisting of 2-bu, 1-bu, 2-shu pieces &c. These shall be issued in exchange for the larger notes already in circulation, and the larger notes thus exchanged shall be all cancelled.

The date at which the exchange will begin to take place shall be duly notified by the Home Department.

Yet the yearly deficit of the revenue continued to be so great that the Government most unfortunately did not keep

its promise of cancelling the exchanged notes, and these were again placed in circulation. The total amount of the Minbusho notes issued before the 10th month of the 3rd year of Meiji (1870) was altogether 7,500,000 rio, and they consisted of four denominations of 2-bu, 1-bu, 2-shu and 1-shu. Again on the 12th day of the 10th month of the 4th year of Meiji (1871), another Imperial Ordinance appeared relating to the Treasury convertible bills (Okurasho Dakan Shoken), which were issued through the Banking Department of Mitsui & Co. The object of issuing these bills was twofold; first to fill up a yearly deficit of revenue, but also secondly to call forth hoarded old coins in order to have them recoined into new coinage. The ordinance runs as follows:—

The Imperial Ordinance of the 12th day of October of the 4th year of Meiji (1871).

Although the work of coining is taking place on an extended scale at the Government Mint at Osaka, it is impossible to recoin at once all the old coins so as to have the new coinage take the place of the old. While such is the case on the one hand, on the other people seem to dislike the 2-bu gold pieces; as a result there is a scarcity of money which is causing great distress. The Government has therefore ordered the Banking Department of Mitsui & Co., to issue, on the basis of the old coins reserved in the Treasury, 3 million yen of convertible notes, consisting of 10-yen, 5-yen and 7-yen pieces. The issuing of these bills shall begin on the 15th day of the 10th month. These bills may be used in the monetary transactions of whatever kind, and in the payment of all taxes, with the one exception of the custom house duties. It is the intention of the Government to withdraw these bills from circulation in exchange for new coins as fast as the latter are produced, yet in the meantime if desired the bills will be exchanged by Mitsui & Co. at any time with 2-bu gold pieces. These explanations are offered so that the people may treat these bills without suspicion, in the same way as the paper money (Kinsatsu) previously issued.

The amount of these bills issued up to the 2nd month of the 5th year of *Meiji* (1872) rose to 6,800,000 yen. They consisted of the three denominations of 10-yen, 5-yen, and 1-yen.

Yet again on the 14th day of the 1st month of the 5th year of Meiji (1872), another Imperial Ordinance appeared in

regard to the issuing of *Kaitakushi* bills, for the purpose of defraying the expenses of the Colonial Government (*Kaitakushi*) of Hokkaido (or the island of Yezzo). The Ordinance runs as follows:—

The Imperial Ordinance of the 14th day of the 1st month of the 5th year of Meiji (1872).

The Colonial Government of Hokkaido has ordered the Banking Department of Mitsui & Co., to issue on the basis of the old coins reserved in the Treasury, 2,500,000 yen of convertible bills, consisting of the denominations of 10-yen, 5-yen, 1-yen, 50-sen, 20-sen, and 10-sen. The issuing of these bills will begin on the 15th day of the 1st month of the 5th year of Meiji (1872). These bills shall be used in the same way as coins in all monetary transactions of whatever kind, and in the payment of all taxes with the one exception of the custom house duties. They are of exactly the same appearance as the Treasury bills, except that they have on their faces the seal of Kaitakushi [the Colonial Government of Hokkaido] and that of the Vice-Chief of the Colonial Government. They will be exchanged at the offices of Mitsui & Co., in Tokio, Osaka and Hakodate, with the new coins when the latter are ready, but in the meantime any one may apply at those offices and get these bills exchanged with the 2-bu gold coin. These explanations are offered so that the people may treat these bills without suspicion, in the same way as the paper money (Kinsatsu) previously issued.

The total amount of these bills issued was 2,500,000 yen consisting of the denominations 10-yen, 5-yen, 1-yen, 50-sen, 20-sen, and 10-sen.

Previous to this in the 7th month of 4th year of Meiji (1871), the system of feudalism which split up the country into hundreds of semi-independent princedoms (called Han or Daimio) was abolished and the centralized Imperial Administration ushered in. As a result of this sweeping change, the Imperial Government was obliged to take over the various kinds of paper money issued by the Han governments. Not only were these old Han notes of very crude workmanship, but also they consisted of all shapes and kinds, there being some 1,600 varieties. They could not be allowed to circulate indefinitely and some means of adjustment had to be found.

Besides the *Daijokwan* notes and other three kinds of paper money were also of very inferior workmanship, so that several attempts had been made at counterfeiting. The Government determined, therefore, to exchange all these notes for the paper money of more skillful workmanship, and in the 10th month of the 3rd year of *Meiji* (1870) entrusted the manufacture of the new paper money to a certain manufacturing firm at Frankfurt, Germany. On the 27th day of the 12th month of the 4th year of *Meiji*, the following Imperial Ordinance was issued relating to this new paper money:—

The Imperial Ordinance of the 27th day of the 12th month of the 4th year of Meiji (1871).

Owing to the crude workmanship of the paper money issued since the Restoration, e. g. the Daijokwan and Mimbusho notes, various attempts have been made at counterfeiting. Besides, the different kinds of Han notes are all limited in their spheres of circulation, so that not only great inconvenience, but mischiefs of all sorts have come to prevail. For these reasons the Imperial Government intends, notwithstanding the fact that the Government is now labouring under heavy expenditures, as well as the great expensiveness of the undertaking, to order the manufacture of new paper money of skillful workmanship, consisting of the denominations of 100-yen, 50-yen, 20-yen, 10-yen, 5-yen, 2-yen, 1-yen, 50-sen, 20-sen, 10-sen and 5-sen. From the 15th day of the 2nd month of the 5th year of Meiji (1872) this new paper money will be issued, for the present consisting of 1-yen, 50-sen, 20-sen, and 10-sen notes only. When a sufficient supply of it comes to hand, measures will be taken for the exchange of all the Government and Han notes, respecting which a further notification may be issued by the Government.

These explanations are now made so that there may be no misunderstanding on the part of the people in regard to the nature of the new paper money or to the gracious intentions of the Government. This Ordinance is accompanied by samples of the new paper money.

Previous to this, both the *Daijokwan* and *Minbusho* notes had been made convertible with specie, as will be narrated immediately, by the Imperial Ordinance of the 28th day of the 5th month of the 2nd year of *Meiji* (1869); yet these were now exchanged with the new inconvertible paper money thereby nullifying this Ordinance. The convertible bills of the

Treasury and of the Hokkaido Colonial Government, though not mentioned in the foregoing ordinance were also exchanged with the new paper money. Thus the entire paper currency of the country, without exception, became inconvertible.

When the Imperial Government issued paper money, one great difficulty it had to contend against from the very start was the difficulty of securing credit for such currency. The various kinds of paper money issued by the Han authorities had already much depreciated in value; in some cases they were even disowned by the governments which issued them. It was difficult for the people to dissociate in their minds their sad experiences of a few years before from the new paper money. This was probably one chief cause of the enormous depreciation of the Government paper money of all kinds. After various attempts at securing credit and circulation, in which expostulations and threatenings were alternately used, the Government, seeing the impossibility of keeping the price of paper and of specie on a par, finally yielded, and made public recognition of the difference in price of paper and specie. But that was merely temporary: for in 1869, by the Imperial Ordinance of the 28th day of the 5th month of the 2nd year of Meiji, the period of circulation of the Daijokwan and Minbusho notes was shortened, being limited to five years; and the Government pledged to regard them, after the expiration of that period, as Government bonds bearing six per cent. interest. The following is the text of the Ordinance:—

The Imperial Ordinance of the 28th day of the 5th month of 2nd year of Meiji (1869).

The public has been already notified that, since the Government intended to take measures for the conversion of paper money, the difference of price between paper and specie would cease to be recognized, and that the paper money would be circulated on a par with specie. It has now been decided after a deliberate consultation with all the princes of the Empire, that in order to lay the financial foundation of the country firmly and securely an immediate step will be taken for the redemption of the paper money (Kinsatsu), every available means being used for the purpose; so that during the interval between the latter part

of this year and the 5th year of *Meiji* the new coins will be made and exchanged for paper. For the notes still in possession of people, after the expiration of the period, the Government will pay the interest of 6 per cent. per annum. Those who act in contradiction to the spirit of this Ordinance, shall be punished according to the following regulations:—

- 1. A person who takes premium in the exchange of paper with specie shall pay a fine in amount equal to the premium taken; the person who paid the premium shall pay a fine equal to one half the amount.
- 2. A person who takes premium for the second time shall pay a fine in amount equal to twice the amount of the premium; the person who paid the premium shall pay a fine equal in amount to the premium.

It follows from the above mentioned regulations that persons who refuse to take paper money, or make attempts to obstruct the circulation of the same, shall be fined in proportion to the magnitude of the guilt. While the officials in charge shall exercise all diligence to find out guilty persons, the people on their part shall report without hesitation cases of misdeed, sending in written statements in blank envelopes. Eighty per cent. of the fines levied shall be given as a bonus to such reporters.

The Government determined, in pursuance of the policy contained in the foregoing Ordinance, to issue Government bonds called *Kinsatsu* (paper money) exchange Bonds, bearing 6 per cent. interest; the plan being to issue these in exchange for paper money, in order to withdraw the latter from circulation, and then to encourage the establishment of banks which should issue convertible notes on the security of these Government bonds.

The Government hoped that in this way the outstanding evils of the fiat currency would be swept away. Accordingly, there were issued Imperial Ordinance No. CCCXLIX, of the 15th day of the 11th month of the 5th year of Meiji, concerning the National Bank Regulations, and Imperial Ordinance No. CXXI of the 30th day of March of 6th year of Meiji (1873), concerning the Regulations relative to the Kinsatsu-Exchange Bonds. Now according to these Ordinances, the amount of the national bank notes to be issued was set down at 100,000,000 yen. The National Bank was first to bring to the Government

paper money equal in amount to six tenths of its capital, for which the Government was to deliver in exchange the same amount of the Kinsatsu-Exchange Bonds bearing 6 per cent. interest, and these the bank was again to take to the Government to be deposited as security for the same amount of the bank notes to be delivered; four tenths of the capital was to be in specie and kept as reserve for the conversion of these notes. The Government intended to retire all the Government paper money hitherto issued in exchange for these notes, but unfortunately that intention could not be carried out. For the specie was getting scarce, owing to the presence of the large amount of inconvertible notes, so that as soon as the convertible bank notes were issued, so much demand was made on the banks for exchange, that these notes never obtained any extensive circulation; and no more than four national banks could be established. The amount of notes they issued never rose much above some two millions of yen. The Government now sought the means of relief in another direction. About this time the Government issued some 174 millions of yen of the Hereditory Pension Bonds, to take the place of the annual pensions of the Daimio and Samurai classes, hitherto paid in rice. It was the intention of the Government that these bonds should be made the capital of National Banks and that those banks should be authorized to issue notes. In this way, it was believed that the needy Samurai would obtain a means of livelihood, while the economic market would be supplied with the much needed capital in the form of bank notes. It is needless to notice that these ideas were based on an erroneous notion that capital and currency were interchangeable terms. The Government, however, with these ends in view, by Imperial Ordinance No. CVI, of August 1876, made certain amendments in the national bank regulations, so that it now became possible to establish a national bank with power to issue notes without specie deposit at all. To be particular, the total amount of notes which the national banks might issue was limited to 34,000,000 yen; a bank might place as deposit in the Government Treasury any kind of Government bonds bearing interest at 4 per cent. and upward, to the amount

equalling eight tenths of its capital, in order to be able to issue bank notes equal to the amount of that deposit; at the same time the conversion reserve for the notes issued was reduced to but two tenths of the capital, and moreover this might be in any kind of currency. Thus the national bank notes were changed from being convertible in specie, into being convertible in currency; and since the currency of the time was inconvertible Government paper money, these bank notes too became another kind of inconvertible paper money.

The Government paper money now reached an enormous amount. In 1872 and 1873 the Government had issued, for the purpose of filling up the deficit of revenue some 8,525,000 yen. In December 1877 there were altogether 93,835,000 yen of the Government paper money in circulation. But this large amount was yet further increased by the issuing of another batch of 27,000,000 yen at the close of the year to meet to expenses of suppressing the Rebellion in the south western provinces. Imperial Ordinance No. LXXXVII of the 27th of December, 1877, under which the last mentioned issue was authorized runs as follows:—

The Imperial Ordinance No. LXXXVII, of the 27th day of December of the 10th year of Meiji (1877).

- 1. On account of the vast expenses needed for the suppression of the Rebellion in the region of Kiushu, which can not be defrayed from the ordinary revenue, it is hereby notified that the Government will issue 27,000,000 yen of paper money, out of the paper money reserve kept for the exchange of worn out paper money.
- 2. Since now 27,000,000 yen will be issued for circulation, out of the paper money reserve kept for the exchange of worn out paper money, the small notes to the amount of about 27,000,000 yen now in circulation, consisting of 50-sen, 20-sen, and 10-sen pieces, shall be henceforth exchanged for subsidiary silver and copper coins,—the process of exchange taking place gradually within the period of fifteen years, from 1878 to 1892 inclusive. As fast as these smaller notes are drawn in exchange for coins, they shall be cancelled, and that fact shall be duly notified to the public.

3. Thus while these 27,000,000 yen of paper money are to be exchanged gradually for coins during the next fifteen years, yet in the meantime they shall be exchanged on application for Kinsatsu (paper money) exchange bonds, bearing 6 per cent. interest, and the paper exchanged shall be cancelled immediately and the fact thereof publicly notified.

In this way rose step by step the amount of paper money issued by the Government until by the end of January 1878, it reached to some 120,835,000 yen. Besides these the Government got into the habit of making temporary issues from the paper money reserve to fill up temporarily the deficits in the revenue (this paper money reserve being a large stock of unissued paper money, kept for the exchange of worn out notes). And since after 1878 the amount thus issued averaged as a rule about 20,000,000 yen a year, this much must also be regarded as added to the amount of paper money in circulation.

Moreover after the introduction of the amendments in the National Bank Regulations as mentioned above, the number of National banks rapidly increased, which brought about an increase in the amount of bank notes, so that in April 1880, it rose to 34,420,000 yen. The issuing of so large an amount of inconvertible paper money naturally brought about results disastrous to the healthy financial development of the country: prices rose enormously, the imports came to always exceed the exports, the specie daily left the country for abroad, people contracted luxurious habits of life, businessmen ran wild in speculation. All these evils reached their climax in the years 1880 and 1881. The amount of inconvertible paper money in circulation reached its highest point in January 1880 as may be seen from the figures given below according to the returns on the last day of that month.

Government paper money	113,831,709
Reserve paper money temporarily issued	
Notes of the National banks	$\frac{34,137,652}{170,157,477}$

The following eight tables, VI, VII, VIII, IX, X, XI, XII, XIII, are adjoined for reference concerning the statements contained in this section.

TABLE VI.

AMOUNT ISSUED AND REDEEMED OF THE GOVERNMENT PAPER MONEY

From 1868 to 1881.

Yes	ars	Amount issue	đ	Amount redeemed		Balance Show the amount circulation	in	Amount temprily issued of the Paper Mo Reserve	it of	Total amount of the Government Paper Money in circulation
A.D.	Meiji	yen		yen		yen		yen		yen
1868	1st	24,037,389 812	250	0		24,037,389	8125	0		24,037,389 8125
1869	2nd	26,053,477 375	500	0,		50,090,867	1875	0		50,090,867 1875
1870	3rd	5,409,132 812	250	0		55,500,000	0000	0		55,500,000 0000
1871	4th	4,772,000 000	000	0		60,272,000	0000	0		60,272,000 0000
1872	5th	4,528,000,000	000	0		64,800,000	0000	3,600,900	0000	68,400,000 0000
1873	6th	13,333,859 234	150	852,845	00050	77,281,014	2340	11,000,000	0000	88,281,014 2340
1874	7th	14,633,228,581	100	1,111,938	42500	90,802,304	3900	11,000,000	0000	101,802,304 3900
1875	8th	2,443,296 649	000	1,961,731	06250	91,283,869	9765	7,788,000	0000	99,071,869 9765
1876	9th	509,561 337	00	* 1,529,725	02500	93,323,156	3385	11,824,426	1240	105,147,582 7625
1877	10th	513,934 205	575	1,325	88275	93,835,764	6615	11,961,327	6730	105,797,092 3345
1878	11th	27,000,000,062	275	1,035,289	34025	119,800,475	3840	19,618,116	6730	139,418,5 (2 057)
1879	12th	1,717 438	008	5,611,388	14000	114,190,804	6820	16,118,116	6730	130,308,921 3550
1880	13th	0		5,778,435	50000	108,412,369	1820	16,528,116	6730	124,940,485 8550
1881	14th	0		2,507,174	20000	105,905,194	0280	13,000,000	0000	118,905,194 9820
To	tal	123,235,597,508	800	17,330,402	51600	0		0		0

^{*}For particulars about this item, see the foot note on table XIV at the end of section III. of this chapter (also compare this table in general with table XIV).

TABLE VII.

AMOUNT ISSUED AND REDEEMED OF THE NATIONAL BANK NOTES

From September 1873 to 1881.

Ye	ears	Amount issued	Amount redeemed	Balance, Amount in Circulation
A.D.	Meiji	yen.	yen	yen
1873	6th	1,362,210 000	0	1,362,210 000
1874	7th	632,790,000	0	1,995,000 000
1875	8th	0	575,000 000	1,420,000 000
1876	9th	324,000 000	0	1,744,000 000
1877	10 th	11,608,751,000	0	13,352,751 000
1878	11 th	12,926,255 000	0	26,279,006 000
1879	12 th	7,767,008,000	0	34,046,014 000
1880	13th	380,337 000	0	34,426,351 000
1881	14th	0	29,533 000	34,396,818 000

Note: - Compare this table with table XV.

TABLE VIII.

AMOUNT OF GOVERNMENT PAPER MONEY AND BANK NOTES IN CIRCULATION AND OF THE SPECIE RESERVE AT THE END OF EACH YEAR

From 1868 to 1881.

Years	Government paper	Bank notes	Total	Specie reserve
A.D. Mei	i yen	yen	yen	yeu
1868 1s	24,037,389 8125	0	24,037,389 8125	0
1869 2n	d 50,090,867 1875	0	50,090,867 1875	19,611 040
1870 3r	55,500,000 0000	0	55,500,000 0000	39,873 258
1871 4t	60,272,000 0000	0	60,272,000 0000	191,287 227
1872 5t	68,400,000 0000	O_1^{i}	68,400,000 0000	14,709,800 504
1873 - 6t	88,281,014 2340;	1,362,210 0000	89,643,224 2340	14,819,127 191
1874 70	101,802,304 3900	1,995,000 0000	103,797,304 3900	18,483,983,794
1875 80	99,071,869 9765	1,420,000 0000	101,491,869 9765	14,664,027,845
1876 9t	1 105,147,582 7625	1,744,000 0000	106,891,582 7625	
1877 10th	1 105,797,092 3345	13,352,751 0000	119,150,843 3345	15,115,405677
1878 11th	139,418,592 0570	26,279,006 0000	165,697,598,0570	17,837,729 269
1879 120	130,308,921 3550	34,046,014 0000	164,354,935 3550	9,967,879 919
1880 13th	124,940,485 8550	34,426,351,0000	159,366,836 8550	7,166,819,462
1881 14th	118,905,194 9820	34,396,818 0000	153,302,012 9820	* 12,699,576 269

^{*} This sudden increase of the specie reserve is due to the efforts made by Count Matsukata, Minister of Finance, to draw in specie.

TABLE IX.

AVERAGE MONTHLY EXCHANGE RATE OF PAPER MONEY FOR GOLD AND SILVER YEN

From 1868 to 1881.

Years	Months	For one gold yen	For one silver yen		
1868		yen	yen	t	
(1st year Meiji)	January	0	(For one Mexican dollar)	741	
	February	0	do.	744	
,	March	0	do.	729	
	April	0	do.	720	
	May	0	do.	639	
	June	0	do.	677	
	July	0	do.	699	
	August	0	do.	750	
	September	0	do.	797	
	October	0	do.	786	
	November	0	do.	823	
	December	0	do.	871	
	Average	0	do.	748	

Years	Months	For one gold yen	For one silver	: yen
1869		yen		yen
(2nd year Meiji)	January	0	(For one Mexican dolla	er) 867
(J 3 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4	February	0	do.	916
	March	0	do.	893
	April	0'	do.	860
	May	0	do.	893
	June	0	do.	940
	July	0	do.	92
	August	0	do.	. 95
	September	0.	do.	1 079
	October	0	do.	1 09
	November	0	do.	1 07
	December	0	do.	1 04
	Average	0	do.	96
1870	Average		40.	
(3rd year Meiji)	January	0	do.	1 04
year meijt)	February	0	do.	1 02
	March	0	do.	1 02
	April	0	do.	1 07
	May	oj	do.	1 05
	June	0	do.	1 05
		0	do.	1 04
	July		do.	1 02
	August	0	do.	1 01
	September	0		1 01
	October	10	do.	
	November	0,	do.	1 00
	December	0	do.	1 00
of Olevia	Λ verage	0	do.	1 03
1871	т.			1 01
(4th year Meiji)	January	0	do.	1 01
	February	0	do.	1 01
	March	0	do.	1 00
	April	0	do.	1 00
	May	0	do.	1 00
	June	0	do.	97
	July	0	do.	95
	August	. 0,	do.	'98
	September	0	do.	88
	October	0	do.	94
	November	0	do.	1 00
	December	0	do.	1 00
4.05.5	Average	0	do.	97
1872				
(5th year Meiji)	January	0	do.	1.01
	February	0	do.	1 08
	March	0	do.	1 02
	April	0	do.	1 00
	May	0	do.	9,

Years	Months		For one gold g	/en	For one silv	er <i>ye</i>	3
1872			yen			yen	
(5 th year Meiji)	June	1	0	(For one Mexican do	llar)	966
	July		0		do.		978
	August	1	0		do.	1	001
	September	!	0		do.	1	028
	October		0		do.	1	048
	November		0		do.		057
	December		0		do.	1	066
1873	Average		0		do.	1	018
(6th year Meiji)	January		0		do.	1	060
	February		0		do.	1	046
	March		0		do.	1	040
	April		0		do.	1	051
	May		1	000	do.	1	057
	June		1'	000	do.	1	030
	July	1		997	do.	1	018
	August		1	001	do.	1	019
	September			998	do.	1	025
	October			992	do.	1	029
	November		1	005	do.	1	028
	December			999	do.	1	027
	Average			999	do.	1	036
1874	Т	1	7	001	do.	1	032
(7th year Meiji)				001	do.		030
	February March			003	do.		032
	April			003	do.		042
	May			994	do.		042
	June			998	do.		047
	July			003	do.		040
				012	do.		044
	August			009	do.		039
	September October			005	do.		034
	November			005	do.		037
	December			008	do.		037
	Average			004	do.		038
1875	Average		1	001	4.0*	_	000
(8th year Meiji)	January		1.	006	, do.	1	036
	February			003	do.	1	047
	March	į	1	009	do.	1	047
	April			013	do.	1	044
	May			013	do.	1	044
	June	1		007	do.	1	036
	July			016	do.	1	035
	August			005	do.	1	015
	September		0		do.		014
	October			008	do.		010

Years	Months	For one gold	yen	For one si	lver ye	31
1875		yen			yen	
(8th year Meiji)	November		002	(For one Mexican		006
	December	1	007	do.	1	009
	Average	. 1	008	do.	1	029
1876						
(9th year Meiji)	January	1 0		do.	1	016
	February		032	do.		023
	March		049			002
	April		035	do.	1	005
	May	1	024	do.		999
	June	1		do.		996
	July		026	do.		987
	August		006			953
	September		.000	do.		948
	October		001	do.		977
	November		000	do.		980
	December		000	do.		981
1877	Average	1	019	do.		989
(10 th year <i>Meiji</i>)	January	1	000	do.	1	013
(February		009	do.		037
	March		013	do.		026
	April		026	do.		034
	May		013	do.		015
	June		018	do.		024
	July		071	do.		034
	August	1	1068	do.		052
	September	1	073	do.		053
	October	1	061	do.	1	043
	November	1	066	do.	1	037
	December	1	060	do.	1	030
	Average	1	040	do.	1	033
1878						
(11th year Meiji)	January	1	081	do.	1	049
	February	1	104	do.	1	075
	March		130	do.	1	105
	April		100	do.	1	076
	May		. 089	do.	1	066
	June		. 097	do.	1	068
	July		. 121	do.		068
	August	1	. 150	do.		078
	September		. 185			110
	October		262	do.		145
	November		255			131
	December		316	do.		217
1879	Average]	l 158	do.	1	099
(12th year Meiji)	January	1	1 367	do.	1	217

Years	Months	For one gold yen	For one silver yen
1879		yen	
(12th year Meiji)	February	1 419	(For one Mexican dollar) 1 246
	March	1 446	do. 1 261
	April	1 414	do. 1 247
	May	1 324	do. 1 161
1	June	1 239	do. 1 102
	July	1 242	do. 1 121
	August	1 268	do. 1 172
	September	1 256	do. 1 158
	October	1 329	1 233
	November	1 361	1 286
	December	1 406	1 336
	Average	1 339	1 212
1880			
(13th year Meiji)	January	1 428	1 365
!	February	1 475	1 389
	March	1 519	1 435
	April	1 612	1 549
	May	1 461	1 373
	June	1 489	1 367
	July	1 505	1 378
	August	1 490	1 387
	September	1 510	1,489
	October	1 754	1 651
	November	1 828	1 686
	December	1 803	1 659
	Average	1 573	1 477
1881			
(14th year Meiji)	January	1 892	1 728
	February	1 920	1 746
	March	1,930	1 774
	April	1 924	1,795
	May	1 784	1 620
	June	1 751	1 625
	July	1 768	1 628
	August	1 792	1 629
	September	1 838	1 690
	October	1,897	1 734
	November	1 833	1 692
	December	1 840	1 695
	Average	1,843	1 696

Notes:-

^{1.} Among the exchange rates for gold *yen* mentioned in the Table, those for September 1875 and January 1876 are missing. Whether the reason be that there was no change in the rate from that of the month previous, or that for these months there was no rate of exchange fixed, it can not now be ascertained. During 1873, the 2-bu gold piece was used as the standard of value in the exchange of new gold coins, after which year paper money has been used.

2. The price of paper as against silver was estimated till December 13th, 1879, in silver momme (so many mommes and fractions of a momme for one Mexican dollar) [The figures on the table were obtained by reducing the mommes into yen, sen and rin.]

From 1868 to 1873, 2-bu gold pieces were used in the exchange of Mexican dollars, but after 1874 the Government paper money. The rates of exchange given above are up to September 1879 as against Mexican dollars, after that, since the Mexican dollar and the silver yen came to be on a par, the rates are as against the silver yen.

TABLE X. THE RATE OF INTEREST IN TOKIO SINCE THE $_{1^{\rm ST}}$ YEAR OF MEIJI (1868).

				ME191 (1000).			
1868 (1st yea	ar Meiji)		per cent. 14.00	Years	Highest	Lowest	Average
1869 (2 nd ,,	,,)		13.50				
1870 (3rd "			13.80	1876 (9 th Meiji)			per cent
1871 (4 th ,,	,		14.00	February	15.00	10.00	12.20
1872 (5 th ,,			13.50	March	15.00	10.00	12.30
1873 (6 th ,,	,,)		12.80	April	15.00	07.00	11.80
				May	15.00	12.00	12.20
Years	Highest	Lowest	Average	June	12.00	06.00	10.70
				July	13.50	09.00	12.00
1874 (7th Meiji)	per cent.	per cent.	per cent.	August	15.00	12.00	13.80
January	15.00	12.00	14.20	September	18.00	09.00	14.00
February	15.00	12.00	14.00	October	15.00	08.00	10.90
March	15.00	12.00	13.70	November	12.00	10.00	11.20
April	18.00	12.00	13.70	December	12.00	07.00	10.30
May	15.00	12.00	13.10	$1877(10^{\mathrm{th}}Meiji)$			
June	15.00	12.00	13.70	January	12.00	10.00	10.30
July	15.00	12.00	14.00	February	10.00	10.00	10.00
August	12.00	06.00	11.30	March	10.00	10.00	10.00
September	15.00	06.00	11.70	April	10.00	10.00	10.00
October	15.00	10.80	11.90	May	10.00	10.00	10.00
November	18.00	10.80	12.60	June	10.00	10.00	10.00
December	15.00	09.00	11.70	July	10.00	10.00	10.00
1875 (8th Meiji)				August	10.00	10.00	10.00
January	12.00	09.00	11.40	September	10.00	10.00	10.00
February	12.00	09.00	10.20	October	10.00	10.00	10.00
March	15.00	07.00	11.90	November	10.00	10.00	10.00
April	18.00	10.00	12.70	December	10.00	09.00	10.00
May	15.00	09.00	12.20	1878(11th Meiji)			
June	12.00	10.70	11.50	January	10.00	10,00	10.00
July	12.00	07.00	11.50	February	10.00	09.00	10.00
August	15.00	10.80	12.00	March	10.00	09.00	10.00
September	15.00	09.00	10.90	April	10.00	10.00	10.00
October	15.00	10.80	12.10	May	10.00	10.00	10.00
November	15.00	12.00	13.50	June	10.00	08.00	10.00
December	12.00	07.00	11.70	July	10.00	10.00	10.00
1876 (9th Meiji)			22,,0	August	10.00	10.00	10.00
January	15.00	09.00	12.80	September	12.00	10.00	10.30
- arrawry	20,00	00.00	12.00	September	12.00	10.00	10.30

Years	Highest	Lowest	Average	Years	Highest	Lowest	Average
1878(11 th Meiji)	per cent.	per cent.	ver cent.	1880(13 th Meiji)	per cent.	per cent.	per cent
October	12.00	09.00	10.50	May	15.00	12.00	12.50
November	15.00	10.00	11.80	June	15.00	12.00	12.50
December	15.00	10.00	12.60	July	18.00	12.00	13,50
1879(12th Meiji)				August	18.00	09.00	14.40
January	15.00	10.00	12.40	September	18.00	09,00	13.90
February	15.00	10.00	11.90	October	18.00	12.00	13,30
March	15.00	10.00	12.10	November	18.00	10.00	13.30
April	15.00	08.00	12.10	December	18.00	12.00	13.80
May	15.00	08.00	11.80	1881(14th Meiji)			
June	15.00	09.00	12.30	January	18.00	10.00	13.40
July	15.00	10.00	12.20	February	18.00	12.00	14.50
August	15.00	10.00	12.00	March	18.00	10.80	13.80
September	15.00	10.00	12.30	April	18.00	12.00	14.40
October	15.00	09.00	12.00	May	18.00	12.00	14.20
November	15.00	09.00	12.70	June	18.00	12.00	13.80
December	15.00	09.00	12.20	July	18.00	12.00	14.60
1880(13 th Meiji)				August	18.00	12.00	14.10
January	15.00	10.00	12.60	September	18.00	12.00	14.00
February	15.00	12.00	12.50	October	18.00	7.20	13.70
March	15.00	12.00	12.70	November	18.00	12.00	14.10
April	15.00	12.00	12.50	December	18.00	12.00	14.10

Notes:—
1. The figures in the above table, before 1873, are based on the result of researches conducted by the Mitsui Bank and give the average rate for December of each year.

2. The figures after 1874 are based on the researches of the Tokio Bankers'

association, and they give the rates of interest for loans of the amounts above 1,000 yen and below 10,000 yen.

TABLE XI.
PRICES (WHOLE SALE) IN TOKIO

From 1873 to 1881.

8891b ənibus bəir() (911manı 21. bəsu) (91818 əlbbim) (91 mun'n ol	1.2349	2.207	2,836	2,110	1,818	2.208	2,088	5,003	2.673
sombarz bord (orangu za bord) (oberr othim) (d) inq ot o)	1,531	2.739	3,195	1.792	G G 1	2.941	3.175	4.016	8.55.5
Clarreorl (middle grade) (f) to Wyo (4)	1.129	1.333	1,667	1.600	1.129	1.779	1.961		
Fire-wood	yen 0.800	0.781	086.0	1.087	1.000	0,840	1.220	1.613	31
Tratumi omote or matting	yen 2,920	2.970	2.700	2.200	9.980	2.500	2.900	9.850	903.5
XRW elderingeV (bonder) nonAl D	yen 1,042	0.800	0,667	0.641	0.781	1,000	1.316	1.587	1.18
Other grades) (1st grade) (1st grade) (1st grade)	yen 1.633	1.471	1,373	1.321	1.823	1.252	1.325	1.186	2.105
Dr9.I Tits') not @	yen 6.100	7.800	9.300	8.960	8.7.50	7.690	7.920	9,560	10,170
Tron (Japanese produce) (3. dundle	yen 6.375	6.875	6,150	4,800	4.550	4.850	5.540	0.33%0	7.180
Copper (1000 (2014) © 100 (2014)	yen 21.500	24.875	26.250	26,000	23,700	23.778	26,000	088.18	25.593
(n99rg) r9T (oberg 9lbbim) nwa 1 @	yen .2.510	2,530	2,500	2,520	2,500	2,160	2.280	2,680	2.750
08iM. (them soft) (8) now A of @	yen (0.800)	0.909	1,165	1.134	1.107	1.197	1.449	2,000	2.128
JLGS (and the of (and the of t	yen 3.043	3.205	2,413	2,445	2.300	4.886	200	20.00	5.208
Osherg olbhim) (1) whom t @	yen 4 800	7.300	7.189	5.196	2,336	6.385	7 955	10.571	10.593
Years	15-2 (6th Maisin	1974 (7th	<i>-</i>		1877 (10th))	1878 (11th))	1670 (11 1))	1860 (19th)	1881 (14th 1)

 $(1) 1-koku = 5.13 \text{ hushels,} \quad (2) 1-kiyo = 90^{10} \text{ troy,} \quad (3) 1-kwan = 10^{10} \text{ troy,} \quad (4) 1-kiyo = 5-kwan, \quad (5) 1-yai = 1\frac{1}{3} \text{ hushels.}$

Note:—This table is based on the report of the Coinage-Investigation commission.

TABLE XII.

TABLE SHOWING THE IMPORT AND EXPORT OF SPECIE AND BULLION.

Years	70		Export			Import			Total		Balance both Import and Export	th Import a	nd Export
		Gold	Silver	Total	Gold	Silver	Total	Gold	Silver	Total	Gold	Silver	Balance
1868 (1st Meiji)	Meiji)	yen	y.n	iku	you	yen	nati	yen	yen	yen	yen	yen	yen
1869 (2nd	,,)	-	-	1	1	j	Marriage	Montes	1		[, house	I
1870 (3rd	,,)	1	-		1		Programma	1	i	1	1	-	
1871 (4 th	,,,)	1	[1	-	1	-		ı	l	1		ļ
1872 (5th	.:	15.5.4.7.2.0	2,684,786 1,706,109 4,480,805	4,480,805		5,691,510	101 5851 5851 892 501.515 615155 6 545.05 175.05 9 615.1556 0	- 981 189 G	6,487,619	8.175.105	1071 500	1.895 101	13000
1878 (6th	, ,)	2,614,055	2,614,055 2,508,872 5,122,927	7292.957		1,066,635	1908. 1 (0.00 0.00 0.00 0.00 0.00 0.00 0.00	1,627,962	2.5.5.507	8,202,169	600,148	1.410.007	0.019385
1874 (7th		8,126,290	8,126,290 5,868,912 13,095,202	202,500,81	0027	1,009,031	2,700 1,002,01 1,07,121 8,123,000 6,05,015 15,05,050 8,125,050 1,07,175 15,050 175,050 1,050,050	8,124,990	1 81 67 2 6 9	5,066,923	8,125,590	1.799.881	12,923,471
1875 (Stb)	10,603,345	10,603,345 4,060,626 14,663,971	176,550,11	26,515	26,515 271,507		208,322 10,629,830 1 332,13,432,53 10,623,860 3,788,819 11,865,149	1 222 1 222 1	1,969,993	0.629,860	CIXXXII	11,865,649
1876 (90)	5,872,356	5,872,856 4,808,845 10,675,701	10,675,701	721,465	0.7.010.7	201.467 12.27.27.27.27.27.30.30.31.12.31.27.12.32.11.27.32.30.30. HV/Pa/S ST7-1-50-1-67.	6,593,821.1	9,849,121 1	8,942,049	5,150,8913	9,749,481	2,408,460
1877 (10th	, ,,	6,221,777	6,221,777 8,219,494 9,441,271	9,441,271	162,281	2,011,218	2,178,199	2,173,109 G,8x4,058 5,280,712 11,64,770 6,050,406 1,20x36 850,4x8,0 904,671,2	5,230,712 1	1,614,770	6,059,196	1,208,276	7.267.772
1878 (11 4	:	4,601,083	4,601,088 8,717,570 8,828,658	8,528,653	5 1 51	2,188,858	2,189,101	2,189,101 4,601,525 5,916,42×10,517,754 4,600,840 1,588,712 6,189,552	5,916,49×1	0,517,754	4,600,840	1,538,712	6,139,552
1879 (19m		1,749,635	1,749,635 8,020,929 19,778,864	15,778,861	531,666	2,103,138	751,666 2,103,138 3,134,804 5,481,201 10,432,367 15,913,668 4,017,969 5,626,991 9,641,060	5,481,301 1	10,482,867 1	5,913,668	4,017,969	5,626,001	9,641,060
1880 (13m	13)	すいしかのんだ	5,888,174 7,884,819 18,929,000	13,999,600,81	20,618	8,617,612	20,618 3,617,612 3,638,230 5,608,792 10,632,431 10,801,223 5,867,556 3,717,207 9,581,763	5,908,792 1	0,952,431 1	6,861,223	5,867,556	3.717.207	9,584,763
1881 (14 th	11 1	2,246,889	2,246,889 5,245,655 7,490,547	7,490,547	150	1,855,997	150 1,855,907 1,856,147, 2,247,039 7,099,655 9,346,694 2,246,739 3,387,061 5,634,400	2,247,039	7,099,655	9.346.694	9.246,739	1987 0.61	5 634 400

Notes :-

The figures marked thus * represent the balance of the import over the export. The figures for gold are all in gold yen, and those for silver are in silver yen.

No reliable returns exist for years previous to 1872.

That the import of silver exceeded the export in 1872 and in 1876, was due, the former to the fact that a foreign loan was levied in 1871 and silver was brought over as a result of that loan; the latter to the fact that there took place in that year a greatly increased export of raw silk, as mentioned in a note to Table XIII.

TABLE XIII.

TABLE SHOWING THE EXPORTS AND THE IMPORTS OF COMMODITIES.

From 1868 to 1881.

Years	Exports	Imports	Total	Balance
	yen	yen	yen	
1868 (1st Meiji)	15,553,473	10,693,072	26,246,545	4,860,401
1869 (2 nd ,,)	12,908,978	20,783,633	33,692,611	* 7,874,655
1870 (3rd ,,)	14,543,013	33,741,637	48,284,650	* 19,198,624
1871 (4 th ,,)	17,968,609	21,916,728	39,885,337	* 3,948,119
1872 (5 th ,,)	17,026,647	26,174,815	43,201,462	* 9,148,168
1873 (6 th ,,)	21,635,441	28,107,390	49,742,831	* 6,471,949
1874 (7th ,,)	19,317,306	23,461,814	42,779,120	* 4,144,508
1875 (8th ,,)	18,611,111	29,975,628	48,586,739	* 11,364,517
1876 (9th ,,)	27,711,528	23,964,679	51,676,207	3,746,849
1877 (10 th ,,)	23,348,522	27,420,903	50,769,425	* 4,072,381
1878 (11 th ,,)	25,988,140	32,874,834	58,862,974	* 6,886,694
1879 (12th ,,)	28,175,770	32,953,002	61,128,772	* 4,777,232
1880 (13th ,,)	28,395,387	36,626,601	65,021,988	* 8,231,214
1881 (14 th ,,)	31,058,888	31,191,246	62,250,134	* 132,358

Notes:-

- 1. The figures marked thus * represent the balance of the imports over the exports.
- 2. The figures are estimated in *yen*, without reference to ratio between gold and silver.
- 3. That there was an excess of the exports over the imports in 1876, was due to the greatly increased export of raw silk, owing to the failure of silk culture in France and Italy, as well as to the rise in price of silk exported.

SECTION III.

Adjustment of paper currency and the establishment of a de facto silver standard.

At the beginning of the Meiji era there was a great difficulty in getting the Government paper money circulated and at that time its price very much depreciated. But with the return of peace and the increase of the credit of the new Government, the credit of paper money also increased. The amount issued, moreover, did not exceed the actual need of the country. For these reasons it came soon to circulate at par with specie. Early in 1878, however, the Government issued quite suddenly another very large amount of paper money, and from that time on its depreciation again commenced.

At first the ratio between silver and paper was 1 yen of silver to 1 yen and 7 or 8 sen of paper, but at the close of that year it became more than 1 yen and 21 sen of paper to one yen of silver. There seemed to be no end to depreciation. Unfortunately there prevailed at that time among the authorities an erroneous opinion that these differences in the value of paper and of silver were due not to the depreciation of paper, but to the appreciation of silver. The Government, therefore, made various attempts to keep the price of silver down. The authorities, indeed, drew up at this time a plan for the redemption of Government bonds and of paper money, but their more serious efforts were directed toward preventing the rise of the price of silver. For instance, the Government prevailed upon the First and Second National Banks, and the Mitsui Bank, as well as some other banks, to sell out silver coin; opened places for transacting the exchange of Mexican dollars; in February, established the Yokohama Specie Bank with the object of inviting people to invest hoarded coins, so that these coins might be supplied to the financial market. The Specie Bank was, moreover, to engage in foreign exchange in order to facilitate monetary circulation between Japan and foreign countries. The Government believed that, as in these ways the supply of silver would be increased, its market price would necessarily come down. But, as a matter of fact, the Yokohama Specie Bank suffered so much loss as to become almost bankrupt, and other measures too did not produce the desired result. The difference in value between silver and paper kept on increasing, so that in April, 1880, the average ratio between the two was 1 yen 54 sen 9 rin of paper to 1 yen of silver. When all these attempts had failed, the Government at last opened its eyes to see the necessity of making redemption. With this object in view, the rate of tax on Saké was doubled, by Imperial Ordinance No. XL, of September 27, 1880, so that the increased revenue on that score might be set apart as a redemption fund. Again, by Imperial Ordinance No. XLVIII, the spheres of local taxation were increased, correspondingly lightening the financial burden of the Central Government, and at the same time the Government expenditures were

much curtailed; the surplus obtained in all these ways being also added to the redemption fund. Besides all these, the Government decided gradually to transfer by sale to private hands the Government factories which had been established for the encouragement of industry; stopped making loans to companies and individuals out of the reserve fund in the Treasury; and every *yen* thus gained went to further increase the amount of the redemption fund.

Yet the depreciation of paper did not stop. In April, 1881, 1 yen silver fetched on an average 1 yen 79 sen 5 rin of paper, (the lowest point reached in depreciation during that

month being 1 yen 81 sen 5 rin).

This was indeed the lowest point ever reached. At this time, a plan to raise a foreign loan of 50,000,000 yen for the purpose of redeeming paper money, was advocated by some in the Government, but the plan was never adopted. With the appointment of Mr. Matsukata Masayoshi (now Count) to the portfolio of Finance on the 20th of October, 1881, the Government determined at last to adopt the policy on the one hand of redeeming the paper money, and on the other of increasing the specie reserve of the Government, as preparatory to the introduction of a convertible note system. The amount of the Government paper and of bank notes, at this time in circulation, stood as follows:—

Government Paper Money Government Paper Money temporarily	105,905,212
issued out of the Paper Money Re-	
serve	14,500,000
Notes issued by National Banks	
Total	154,803,242

The Finance minister of the time (Count Matsukata) thought it an irregular practice to issue a part of the Paper Money Reserve for temporarily meeting the deficit of revenue, as had been the practice of the Government for some years past. In order to pay back, once for all, the amount thus utilized from the Paper Money Reserve, he introduced certain

changes in the method of making receipts and disbursements of the public revenue. He had, besides, the method of disbursing the expenditures of the Government Departments changed, so that thenceforth these disbursements were all made at the Exchequer, instead of having the amounts of the estimated expenditures turned over in lump sums to the departmental authorities in the early part of the fiscal year. These changes were effectual as may be presumed in leading to economy in the State expenditure. Yet further steps were taken toward economy and the increase of the Government reserve, by ceasing to make any further loans out of the Government reserve, in aid of industrial enterprises, and at the same time by requiring that all the past loans should be paid back to the Government according to the terms of agreements. Now with the money which came in to the Treasury in these ways, as well as by temporarily utilizing the money which came in response to the Nakasendo Railway Bonds, issued about this time, the Government was able to pay back to the Paper Money Reserve in January, 1883, the entire amount of the paper money which had been subtracted for temporary circulation out of the said Reserve. A plan was now adopted on the other hand of issuing the Treasury Bills to meet the demand of the Exchequer for any temporary deficit in the revenue. Accordingly on the 20th of September, 1884, by Imperial Ordinance No. XIV, the Treasury Bill Regulations were issued.

Imperial Ordinance No. XIV of the 20th day of September of the 17th year of Meiji (1884).

The Treasury Bill Regulations.

Art. I. The Treasury Bill shall be issued to allow the Exchequer to meet any temporary deficit in the revenue.

Art. II. The Treasury Bill shall be unregistered, payable at a fixed date and bearing interest, redeemable out of the revenues of the year of issue.

Art. III. The amount of the Treasury Bill to be issued as well as the rate of interest thereof shall be provisionably fixed by the Finance Minister and sanctioned by the *Daijiokwan*.

- Art. IV. The Treasury Bill shall be of five denominations, of 100-yen, 500-yen, 1,000-yen, 5,000-yen and 10,000-yen, and be payable at three months, six months and nine months; the date of payment being printed on the face of each bill.
- Art. V. The Treasury Bills may be transferred or sold to any person.
- Art. VI. The business concerning the payment and the exchange of the Treasury Bill shall be conducted by the Bank of Japan.
- Art. VII. The owner of a Treasury Bill may demand payment, on the fixed date of payment, at the Bank of Japan or at any of its branch offices or agencies; the payment being made in current money.
- Art. VIII. The Treasury Bill will be paid for six months after the lapse of the date of payment, but after that it will not be paid. No interest shall be paid on the principal after the lapse of the date of the payment.
- Art. IX. When the Treasury Bill has became defaced or mutilated, application for its exchange with a fresh one may be made at the Bank of Japan, or at any of the branch offices or agencies of that Bank, by presenting the defaced or mutilated bill; no bill shall be exchanged whose genuineness on proper examination in regard to face-value, mark, number and seals can not be established.
- Art. X. When the Treasury Bill is lost, its owner shall present in writing, through the Bank of Japan or through any of its branch offices or agencies, to the Finance Department, a minute account of the way in which the bill was lost, its face-value, date of payment, mark and number, as well as the way in which the owner came in possession of that bill. The Finance minister upon receipt of such a statement shall publicly notify that the transfer, the purchase and sale, the exchange, and the payment of the particular bill named shall not take place. When that bill is again found, the owner shall report the fact to the Finance Department by a similar process as before.
- Art. XI. When the lost bill is not found, the owner may yet secure the payment of both the principal and interest, at the Bank of Japan or at any of its branch offices or agencies, on making application with not less than two witnesses of satisfactory character.
- Art. XII. Persons who counterfeit or make fraudulent changes on the Treasury Bill and use the same in transactions shall be punished according to the Article CCIV. and the Section II. of the Penal Code.

While in this way was effected the adjustment of the troubles connected with the temporary issue from the Paper Money Reserve, not quite so easy was the adjustment of the larger troubles which existed in connection with the paper currency proper.

The minister of Finance of the time (Count Matsukata) felt that, in order to effect the much-needed adjustment of the Government paper money, it would be necessary to establish a great Central Bank, which should have the sole privilege of issuing convertible bank notes; which should serve as a supreme organ for the regulation of the currency of the country; which should moreover discount the foreign bills of exchange in order to regulate the influx and efflux of specie and bullion; which should still further be entrusted with certain services in the Treasury, so as to simplify the business of the Exchequer. His memorandum respecting the scheme which was presented to the cabinet council on the 1st of March, 1882, runs as follows:—

In national affairs, there is nothing of greater importance than a financial policy. The prosperity of the nation, the happiness of the people, the awakening of industrial enterprises and the activity of commercial transactions, all are closely bound up with a sound financial policy of the country. In studying the present financial situation of our country, the things apparent to everybody are the unequal distribution and restricted circulation of the currency, the daily increasing lack of capital, the rapid rise of the rate of interest, the great tightness of the money market. Added to these is the fact that the imports of the country always exceed the exports, causing the ever increasing efflux of specie. Owing to the latter circumstance the specie of the country has been very much reduced in amount, producing an enormous difference in value between specie and paper, it being made now almost impossible to use the specie in ordinary transactions. For these reasons, the industrial classes can not engage in large enterprises owing to of the lack of capital, and merchants can not expand the volume of their business because they can not command enough money. In railway building, in telegraph construction, in opening up the mining and agricultural resources of the country, in building ships and otherwise extending the lines of water communication, or in the construction of canals and roads, -- in every direction what we chiefly suffer from is the lack of necessary capital.

The financial distress of the county, it would seem, can never be greater than it is to-day.

Now if the banks of a country are to serve as organs to regulate the circulation of capital, and to relieve financial distress, why is it that in our country, with its present numerous national banks, (more than two hundred and sixty in all, including the branch offices) and with the notes issued by these banks reaching the sum of 34,000,000 yen, that we witness the great financial distress of the present day?

I believe we must attribute the failure of our banks to accomplish the object for which they were established, to the imperfections of the system itself. The first beginnings of our present banking system we may trace in the establishment by the Government in 1869, of the Exchange Houses in various parts of the country, with the view to facilitate monetay circulation and restore commercial prosperity. Most of these Exchange Houses, however, did not prosper, and in 1872 the Government promulgated the National Bank Regulations, which were closely patterned after the American system. In 1876, these regulations were modified in many respects, and the national banks of the present day have been mostly established in accordance with the modified regulations. That the system, thus established, has proved so imperfect was perhaps unavoidable, owing to the fact that the Government was urged on by the pressure of circumstances hastily to establish a system of banking, not having had a sufficient time given them, not only for studying the American system, but also for comparing and digesting the different systems in vogue in the countries of Europe.

Accordingly, the imperfections in our present system are neither few nor unimportant. Look for a moment at the actual condition of our banks to-day. There are very few banks with a capital of more than 400,000 or 500,000 yen, while the smaller of them have no more than 50,000 or 60,000 yen. With such small amounts of capital, these banks are established in circumscribed localities, each one within a narrow circle of influence, somewhat as a petty feudal lord used to be established in this own small castle, surveying under his limited vision a narrow sphere of jurisdiction. For this reason the communication between different banks is exceedingly bad, so much so, that should there be surplus capital in one bank, and another bank be in dire need, yet the former can not help the latter. A flourishing bank in the south-west and another strong bank in the north-east are so far separated in sympathy, that they never think of assisting one another. For these reasons a bank with the capital of 50,000 yen does the work only of 50,000 yen, and another with 100,000 yen that of 100,000 yen only. They do not know that these sums might be doubled in utility through

proper correspondence with other banks. When the capital of these banks can not be doubled in utility, we can not expect that the rate of interest will ever get low, and unless the rate of interest gets low, the present tightness of the market will never be relieved. While political feudalism with its particularism and separatism, with its several hundred semi-independent jurisdictions, has been happily overthrown, in financial matters we seem to be now living under a system of bank feudalism, with 150 banks existing without correspondence with each other, without sufficient sympathy to help one another in times of distress; or if they have the sympathy, lacking the ability to help; each one entirely absorbed with the questions of its own existence. There can be, it seems to me, no better method of doing away with the present unbearable state of affairs than the establishment of a Central Bank, which placed above all others in a supreme position, shall be able to bring other banks nearer together and in other ways assist in regulating the monetary circulation of the country.

In studying the causes which led the countries of Europe to establish Central Banks, we see that the particular reasons were not necessarily the same in all. One country had in immediate view the raising of public loans in a time of war; another wanted to accomplish through the establishment of a central bank the introduction of convertible bank notes, in place of the former inconvertible paper money; while yet another wished to substitute a uniform paper currency for one of much variety. Thus while their immediate motives were different, these countries were all one in the ultimate object they aimed at i. e. to regulate the monetary circulation and to relieve financial distresses to which all countries are subject from time to time. The monetary circulation of a community may fitly be compared to the circulation of blood in a human body. If there is conjection in one part and depletion in another part, very soon the conjected part suffers from boils or the part where the blood is inadequate becomes torpid. If, on the contrary, we find the blood flowing evenly throughout the whole body, we can trace that in all cases to the healthy action of the heart. Now the Central Bank is to the financial system of a country, what the heart is to the system of blood circulation in a human body; the one is just as indispensable as the other. To regulate the circulation of the currency of a country, to call it in to a place where it is wanting, and to send it out from a place where there is a surplus, thus to keep even and steady the constant flow of the currency, -this is the office of the Central Bank in a country; and this is why that in all the countries of Europe we find that there are banks of this nature. Let me now briefly sketch the histories of some of the greatest of these banks.

In England, the Bank of England was first chartered by King William III. According to its charter, this Bank was to have the sole privilege of issuing notes within sixty-five miles from London. Yet there were besides this Central Bank, several joint-stock and private banks which issued notes under unlimited responsibility; and from 1840 to 1844, during only four years, there were no fewer than twenty-seven of these joint-stock banks which failed, while seventeen others became unable to pay dividend, so that the monetary circulation became entirely blocked. It was at this emergency that Sir Robert Peel, Prime Minister of the day, with a view to the relief of this distressing state of things, had the Bank Act of 1844 passed. According to that Act, a new bank thereafter to be organized was never to be permitted to issue notes, while a joint-stock bank already in existence was never to be permitted to increase the amount of its note issue from what it was then; while if two of these banks united, the note issue of the united bank was to be limited to the amount previously issued by one of the two; or if any bank closed up business, the amount of the note issued by that bank was to be added to the amount of the note issue of the Bank of England. These were the first steps by which the Bank of England had its scope and plans enlarged.

In France, after the failure of John Law's bank in the first part of the 18th century, the credit of paper money was gone entirely. Men became so suspicious of the banking business itself that, until the close of the reign of Louis XV, not a single bank was established. When the famous Turgot became finance minister, however, a Caisse d'Escompte was established anew. It was so successfully managed that in three year's time the rate of interest was brought down from 6.5 per cent. to 3 per cent. When the Revolution broke out Turgot's system was all smashed to pieces, yet with the return of peace there arose numerous small banks which issued notes. Napoleon Bonaparte saw the danger and established one great bank called the Banque de France. After that the growth of that bank was in every way fostered, by the addition of capital, by the opening of branch offices, by replacing the president with the Governor and Vice-Governor, and by many other reforms, until it is to-day one of the greatest banks of the world.

In Belgium Société général pour favoriser commerce national, Banque de Belgique, Banque de Liege, Banque de Flandre &c., all had the power of issuing notes. They experienced, however, heavy losses in succession, until they were finally compelled to suspend specie payment. In 1850 M. Frère-Orban, finance minister of the time, established the Banque nationale belge, with the view to remedying the evils connected with paper currency. He entrusted to this bank the work of withdrawing from circulation the inconvertible paper money, which was

accomplished so well and in other ways the bank was able to do so much in assisting commercial enterprises and in relieving the business distress of the time, that when a little later Holland established the Bank of Amsterdam the National Bank of Belgium was taken for its pattern.

Besides, in Germany, Austria, Italy and Holland, similar institutions have been established. While the immediate motives might have been different in each case, these countries were all one as to the chief end in view; i. e. to relieve the financial distress of the time and to prevent the future recurrence of a similar distress. The wave of prosperity which of now sweeping over all Europe, the happy regulation of currency, the rapid growth of industrial enterprises, the great expansion of trade and of the means of communication, all are traceable either directly or indirectly to the establishment of Central Banks in all these countries.

Now turning our attention to the conditions of things at home, while we notice some features in our country not necessarily alike to those in Europe, there are others which are remarkably like the conditions of things which prevailed in these European countries before the establishment of Central Banks. These features are, for intance, the lack of capital, the high rate of interest, the depreciation of paper money, and the tightness of the money market; which are all tranceable to the imperfectness of the system of national banks, to the fact that the imports of the country are always in excess of the exports, as also to the fact that the mode of transacting business by means of cheques and bills of exchange is not yet in universal use. In these features Japan of to-day stands exactly parallel to the countries of Europe before the establishment of Central Banks. It seems to me, then, that the establishment of a Central Bank is the one prime necessity with us, which really lies at the foundation of all other financial reforms. Let me now present some reasons to prove the necessity of establishment a Central Bank in our country.

I. The Central Bank when established will be able to facilitate the circulation of currency throughout the country.

In the present state of banking business, there is very little spirit of co-operation among different banks, so that the surplus money in one bank does not flow into the needy coffers of the other, which ought to be the case in order to ensure the prosperous condition of affairs. For instance, should there be great stringency in the money market of Tokio, and much surplus capital in some distant region of the Empire, what could be more natural and beneficial than that the surplus money of the latter should come to the assistance of the former? Yet in the present

state of affiairs, there are but few facilities for an easy and natural circulation of currency throughout the country. Some banks are not, indeed, entirely wanting in some sort of correspondence with certain others, so that co-operation and assistance are not wholly wanting. Yet correspondence between one independent bank and another equally independent is quite another matter from correspondence between the Central Bank and other banks, over whom the former occupies a supreme position. The Central Bank would look upon the other banks, somewhat in the same way as a head office looks upon its branch offices. Moreover, most of these banks have but small capital with which to carry on their business, so that they have scarcely ever any surplus money with which to help out other banks; the utmost they can do, in most cases, being to keep themselves from going into bankruptev.

If now the Central Bank be established, it will be in position to look upon other banks of the country somewhat as its branch offices, and open correspondance with them, so that the necessary channels of monetary circulation will for the first time be opened; other banks, too, reviving confidence in each other will begin to co-operate with one another. The Central Bank will be able from its peculiar position to survey the whole field of the money market, and changes in the condition of things in each locality will be made known to it at once. It will thus be able to send the surplus money of once locality into other needy places, so that the capital of the country will be kept in a state of constant and natural circulation, keeping every part of the country always supplied with money and so surplus money ever left idle. Its action will be in a word like the action of the healthy heart in a human body.

Moreover one serious defect which is almost universal with the banks of the present time, is the lack of far-sightedness and fidelity in their business management. Each bank is bent upon securing a temporary profit and not so much upon increasing its credit as a banking agency. With all the severity of the National Bank Regulations and of the Government inspection, there yet occur now and then eases where banks are tempted to make an unauthorized temporary issue of their note reserve.

All these evils will be largely done away with if the Central Bank is established, since it will be always in position to assist and guide and, in other ways, encourage the banks of the country. Irregularities in practice will also cease, when the Central Bank comes to exercise a close inspection. Its inspection will be in some ways more efficacious than the Government inspection, because it will be prompted largely by the motives of self-interest. Thus guided and assisted, the present banks of the country will grow in capital as well as in credit; and as a natural consequence, there will spring up closer correspondence and deeper mutual

confidence among the banks themselves. I am firmly convinced that in this way the present evils of our banking system will be finally swept away.

II. The Central Bank when established will be able to supply capital to national banks as well as to trading or manufacturing companies.

It has already been pointed out that the national banks of the present day are small in capital and weak in credit. The evils which result from this state of things are easy to see. In times of emergency, since these banks are limted in capital they will suffer from the lack of funds, and since they are weak in credit they will be obliged to contract their business through decrease in the amount of deposits. For instance, suppose here is a bank with the capital of 100,000 yen. Most probably 50,000 yen will be devoted to making loans and other business purposes, while the remaining 50,000 yen it will keep for discounting bills. When the money market is exceptionally busy there will be, as a rule, numerous calls for discounting bills, for drawing of deposits, or for loans, and the bank will be obliged to pay out daily several thousand yen of cash. In such cases, the bank is very apt to suffer from the lack of funds. It may be that the discounted bills are overflowing in the bank's coffers among which are bills payable in two, three or five days. Yet these do not serve the purpose of to-day. For that reason, the bank will be obliged to cease making loans and discounting bills, and lose the good will of its customers. If in addition to this, it fails to meet drafts upon the deposits, or demand for payment of bills, then all at once its credit ceases to exist, and there now goes forth the report that the bank is on the brink of bankruptcy. In a few days the commercial world will be rife with the story of that bank's impending failure. Now, very likely there may be banks with enough capital to be able to help out this bank, yet they too are most probably not free from the contagion of doubt and suspicion, and dare not come forward and offer a helping hand. At last the customers of this bank get alarmed, the number of them who come to draw upon deposits grows daily larger and the bank fails. Now if the assets of the bank do not really cover its liabilities, a failure may be considered unavoidable. But if, on the contrary, the Government bonds and discounted commercial bills are overflowing in the bank's coffers as is the case with our supposed bank, and yet owing solely to the temporary lack of cash it is obliged to fail, its condition must be regarded as one most regretable and pitiable. Such cases as this would occur simply because there did not exist proper facilities for supplying capital at times of emergency. Take another illustration. At a time when a

cry of stringency is very loud in the money market of Tokio, let 500,000 yen or one million yen be thrown in. It is quite certain that the alarm so loud hitherto will cease all at once, and the business of the Metropolis will again assume its normal activity as if nothing had occurred. Now 500,000 yen or 1,000,000 yen are but a small fraction of what the business world of Tokio would really need. Yet the fact that this comparatively small sum of money was entirely effectual in bringing back peace and order, is due solely to the fact that the banks gained courage and opened transactions, while the panic of a few days previous was due to the fact that on account of the lack of cash capital, and led away perhaps by two or three business speculators who stood at the back of all, these banks became slack in meeting the draft upon deposits or in the payment of bills. It will be evident from these illustrations that there is no more effective means of preventing a commercial panic than to provide facilities for assisting banks in a time of emergency.

Now suppose we had the Central Bank which engaged in making loans and in discounting bills, and which thus provided facilities and lent assistance in times of emergency; would not a bank which became short of cash capital come to the Central Bank rather than decline to meet the demands of its customers, with the bills discounted now in its coffers in order to have them once more discounted, or asking for a loan by depositing Government bonds as security. In this way the bank would be able to tide over the period of stringency, and avoid causing panic or coming to bankruptcy. But the services of a Central Bank will not be confined to its lending assistance to other banks. Private corporations and companies engaged in business enterprises or in manufactures, may also receive its assistance and pass through times of distress, without being reduced to the last necessity of making retrenchment either in the volume of business or in the scope of enterprise.

III. The Central Bank when established will be able to lower the current rate of interest.

It is well known that the rise and fall of the rate of interest is due not to the scarcity or abundance of currency, but to the scarcity or abundance of loanable capital. Money in whatever form, which is circulating in a community or a nation, is its currency, while the loanable capital is that part of the currency which is in the hand of commercial companies or banks, and set apart for discounting bills or making loans. However abundant the currency of a community may be, if that part of it which is used for the purposes of making loans or discounting bills is scarce, there is tightness in the money market, and the rate of interest

rises inevitably. Now the number of national banks of the country to-day is no fewer than one hundred and fifty, and the amount of notes issued by these banks is something like 34,000,000 yen. If to this is added the amount of the Government paper money, the entire amount of the paper money now in actual circulation will be seen to be something like 140 millions. This is not indeed so large an amount as to give the same amount of currency per capita of our population as in European countries. But when we consider the standard of living among our people and the degree of development of industrial and commercial enterprises, we must say that the currency is quite abundant enough. Yet notwithstanding this fact, there is a stringency in the money market, a high rate of interest and universal distress among business men. The reason is apparent: there is a scarcity of loanable capital and this scarcity is due to the imperfectness of our banking system.

The bankers of the present day mostly look to making immediate profits, rather than to the enlargement and development of banking business. When the rate of interest is high they take advantage of it in making profit. They do not see that there is a better way of making profit, i.e. from the employment of capital, which will be more advantageous both to the bankers themselves and to the community at large than their present method. Yet they do not see things in this way. They make long-period loans, taking as security bank shares, Government bonds, even houses and real estate, or the shares of their own banks. They pride themselves that they are conducting business in ways that admit of no risk. The periods of loans are sometimes as long as two or three years and even the shortest ones are no less than five or six months. For these reasons the capital of these banks, already too small, is largely invested in fixed enterprises which prevent it from being employed repeatedly and kept in a state of constant circulation. For in cases of loans on security, the mortgaged property can not be disposed of unless the debtor does not pay on the maturity of the loan. It is not like bills or cheques which may be discounted, which may be received to-day from A, and sold to B to-morrow, thus turned into money any time at one's own pleasure. How can our banks which employ so large a part of their capital in making loans on security, rather than in discounting bills, but suffer from the lack of loanable capital? And how can they prevent the rise of the rate of interest when there is a scarcity of loanable capital?

Now the proposed Central Bank is in its nature no other than a bank for discounting bills. Napoleon I. once told his councilors that he knew the business of banking consisted of discounting bills, and he knew not that there was any thing else. He probably intended merely to emphasize the fact that the discounting of bills was the most lively and most

important part of a banking business, one which was of greatest service to the community. It is indeed a fact worthy of notice that the discounting of bills constitutes eight or nine tenths of the banking business

of Europe.

The bills which are to be discounted by the Central Bank will consist of those endorsed by more than three men of reliable business standing. There will be therefore no risk in collecting. And since these bills will be all of short periods,—less than one hundred days,—there will be a constant activity in the circulation of capital. Thus capital paid out in the morning will come back in the evening, so to speak, which will therefore be widely different from the long period loans on security so much practised in our country to-day. The Central Bank will indeed make loans sometimes on the security of Government bonds, railway bonds, Government bills &c., but these loans will only be made for short periods, at most for thirty or forty days. For these reasons the Bank will never suffer from the lack of its loanable capital as would otherwise be the case.

In this respect the Central Bank is of quite a different nature from the agricultual or industrial banks. Its object being to keep open channels for the natural circulation of currency, and thus to assist the growth of commercial enterprises, it concerns itself chiefly with the discounting of bills, the purchase and sale of gold and silver, the receiving of deposits on current account, and other transactions of like nature. How different this kind of transaction is from making big loans with the view to assisting in the development of agriculture or industry, will be apparent to every one. For this reason, the capital of say 10,000,000 yen which belongs to the Central Bank may with reason be said to be entirely devoted to discounting bills. And since the Central Bank engages in the business of discounting bills to so large an extent, devoting its large capital to that purpose, its loanable capital constantly flowing in and out, it will never be in need of cash for discounting purposes. It follows as a matter of course that the Central Bank will naturally tend to lower its rate of discount.

If now the Central Bank should discount bills at a lower rate than the current rate of interest, say by two or three per cent., everybody would naturally note the fact at once, and its effect would be instantaneous in reducing the rate charged by other banks. There might still exist brokers or other small usurers who charged high rates of interest for some time longer, yet all the great organs of business enterprises would follow the lead of the Central Bank. It may very well be said, therefore, that the Central Bank has the authority to fix the rate of interest.

The rate of interest charged by the banks of Europe is of course

constantly changing, yet the changes are as a rule comparatively small. Such leading banks as the Bank of England, the Bank of France, or the National Bank of Belgium, charge on an average from two to three or four per cent. For this reason the market rate of interest is low and the loanable capital is always abundant. They suffer even from its superabundance. In France the current rate of interest is so low that the banks can not afford to make loans, while paying the usual more than 5 per cent. dividend to the shareholders. For this reason they invest a portion of their superabundant capital in putting up extensive buildings to be rented, for the rent from such houses often amounts to more than what the ordinary rate of interest would bring in. I believe this abundance of capital and the low rate of interest are both directly traceable to the discounting operations engaged in by the Central Banks of those countries, at a low rate of interest.

Some persons may regard the business of discounting bills as risky. and look with misgiving on the work of the Central Bank. Such notions must be based entirely on what these people observe in regard to the actual method of discounting carried on at present by the banks of our country. In my opinion the method at present pursued in Japan is quite imperfect, and hence it is that there appear such evils as these people daily notice. The method of discounting, on the contrary, which we now propose is the method at present in universal use in the principal countries of Europe—a method quite different from the imperfect one commonly practiced in our country to-day. We are confident that there can be no better method at the present stage in the development of the banking business, and that if we postpone its introduction, another opportunity like the present will never come again. No system is perfect and even the best is not entirely free from dangers. It will be a part of political wisdom to introduce the best possible system and try to avoid the dangers that may unfortunately be connected with it. If on the contrary we hesitate and waver, and do not push on in the path of reform, there will be no hope of progress or improvement. We shall have to be content in that case with the present distressing condition of things for any number of years to come.

From what has been said in this section about the advantages of making short time loans, there may be persons who will infer at once that the long time loans are in all cases to be avoided as undesirable. The question depends, however, altogether upon the kind of enterprises for which a loan is made.

In the case of silk culture, for instance, the processes of raising silk worms, of the production of cocoons, of spinning the latter into raw silk, and the packing of the same in *Piculs*, all require time; while the part belonging to the merchant, from the time the raw silk is placed in the market for sale until it is disposed of, does not require a long time. In the case of the former part which belongs to farming industry, it is clear

therefore that the capital must be invested with a view to making long time loans, while the capital invested in commerce and trade will best serve its end by being utilized in short time loans, as has been already discussed.

For these reasons, there ought to be two kinds of organs in a community; one to facilitate the investment of capital in manufactures and agriculture, and the other to provide facilities for the active employment of capital in commerce. If these two kinds of activities are mixed, no healthy growth of banking operations can ever be expected. This is why it is that in Europe, while there exist on one hand Central Banks to provide capital for commerce, there exist on the other hand agricultural banks and industrial banks which are regarded as equally necessary in supplying the needed capital for agriculture and manufactures. These two kinds of banks are necessarily different in organization and business methods, the chief distinction in the case of the latter being in their making long time loans,—for instance loans for fifty or sixty years being not infrequent in France, and even the shortest ones never less than five or six years.

IV. When the business organization of the Central Bank is completed, various services in the Government Treasury may with advantage be transferred to the Bank.

The natural function of a Government is chiefly to protect the public interests, and afford peace to the community. The Government should never attempt to compete with the people in pursuing lines of industry or commerce. It falls most naturally to the sphere of governmental activities to look after matters concerning education, armament or police service, while matters concerning trade or industry which have for their aim the making of money naturally fall outside of governmental actions. In fact in these matters the Government can never hope to equal in shrewdness, foresight and enterprise, with men who are actuated by the immediate motives of self-interest. It is always best, therefore, for the Government not to take immediate concern in trade and business, but to leave those matters to be conducted and developed by individual efforts and enterprize.

Yet there are certain financial matters of larger concern, which have direct bearing on the well being of the community at large, which can not be wholly left to individuals to look after. In some such cases the Government ought to take a part in protecting the best interest of the nation as a whole. Now just such a matter is the regulation of the national currency.

The influx and efflux of currency take place according to the condition of the foreign trade of a country. When the imports exceed the exports, if no especial efforts are made to prevent it, the specie will tend to leave the country, which may bring about a scarcity of money and a consequent distress among the people. No individual merchant can afford, even if he wished, to try to remedy this kind of evil. For

instance, here is a merchant engaged in foreign trade with a capital of 100,000 yen. Suppose he took over certain home products to a foreign country and through their sale he made 20 per cent. profit. If, now, he brought home both the capital and the net profit, 120,000 yen in all, in cash, he would certainly assist in increasing the amount of currency by just that amount. But in that case he would have had to spend for his traveling expenses, freight and insurance, something like the amount equal to 1/2 the net profit. His profit would thus amount finally to but 10 per cent. of the capital. No business man would be so foolish, unless he were compelled to submit to certain special circumstance, as to lose 10 per cent, out of his profit of 20 per cent, in order to bring house cash from foreign lands. Most probably he would buy merchandise in foreign countries with his 120,000 yen and try to realize the profit of another 20 per cent. from the sale of these goods at home. His profit, then, from these several transactions would amount to more than 40 per cent., of his 100,000 yen. All his enterprise would, therefore, do nothing to prevent the efflux of currency from the country.

We must look to the Government of a country to take some effective measures toward the reabsorption of the specie which has left the country. But since the Government ought not and can not engage in commercial enterprises, the only possible course for the Government to pursue would be to provide some special organ under its immediate supervision to do the work we have just described. The establishment of a Central Bank would exactly meet this need. This is in fact just what the countries of Europe are doing through their Central Banks. The governments of those countries confer special privileges upon Central Banks, entrust them with the receipt and disbursement of national revenues, and whenever there is a temporary surplus in the Exchequer, that surplus is employed through Central Banks in purchasing foreign bills, or gold and silver bullion, with the object of increasing the influx of specie. That there is just now so strong a tendency in our country toward the efflux of specie is due no doubt primarily to the excess of the imports over the exports, but also to the fact that foreign governments are all the time making very strong efforts through their Central Banks to absorb the specie that might otherwise never return.

If now the Central Bank were established in this country and its business organization completed, so that the bank was in first rate working order, a part of the business of the Finance Department might very well be entrusted to the Bank, e. g. a part of its services connected with the business of the Exchequer, the liquidation of public debts, &c. The Government might entrust to the Central Bank any part of the public revenue, not in immediate use, to be temporarily employed in

discounting bills and commercial papers, and the profits thereof would contribute to the increase of funds in the Treasury, and the advantages therefrom accrue to the community at large. All the funds thus accumulated in the Treasury might finally be employed in buying gold and silver bullion at home or abroad, to be employed in turn for the redemption of Government paper money. This would also open the way for the importation of foreign specie and prepare the ground for the final establishment of the system of convertible paper money.

The Government would not be free from risks in this attempt at the importation of specie from abroad. The great distance of our country from Europe, requiring months for communication by steamers, is much to our disadvantage. Our case is not like the cases of the countries of Europe, which are so near each other. The Government, therefore, must be prepared for occasional losses from the fluctuations in the rate of exchange and sometimes from freight, insurance &c. Yet, on the other hand, if the Government should forego the attempt for fear of these losses, it would be acting as any merchant would act, and would never be able to see the necessary importation of specie successfully accomplished.

In fact means might be found for the Government to make good these possible losses. For instance, a part of the profits accruing to the Government from the employment of public moneys, e.g. in discounting bills through the Bank of Japan, may very well be devoted toward this object. Of course the greatest circumspection ought to be used in making such employment of Government funds. Yet the revenues and expenditures are all fixed in time, so that sometimes there is idle money in the Treasury, serving no purpose, for a certain fixed period. Why may not such moneys be usefully employed? The Government will make strict regulations in regard to the Exchequer Service, place the Treasurv within the Bank's establishment, where all the receipts and disbursements of Government moneys shall take place, and the officials in charge will be appointed by the Minister of Finance. In this way a clear line of demarkation will be drawn between the ordinary business of the Bank and the services connected with the Government Exchequer Since it could be foreseen at any time, what part of the receipts on hand would be immediately wanted for disbursement, that which would not be so wanted might most properly be used, in the interest of the National Treasury, in discounting commercial bills whose credit was above suspicion or in making short time loans on reliable security. It would not be difficult in this way to add to the public fund in the form of a profit of several hundred thousands annually. And since the profit thus obtained is something distinct from the receipts from regular taxes, there should be no objection to the employment of a part of that profit for meeting the expenses as well as losses in connection with the attempts to secure the absorption of specie.

As a good physician looks not after every evil that is apparent, but after the evil that lies at the root of all and tries to bring about the healing of all by healing the one fundamental evil; so a good financier should aim not at every petty policy of temporary makeshift but at some fundamental policy through which at one stroke financial soundness and health may be infused into the body politic. It seems to me the establishment of a Central Bank is just such a policy. By its establishment the Government will be relieved of much of the petty work of protection and assistance which, as things are now, it is compelled to undertake, but which would be more successfully accomplished by such a bank.

In studying the financial problems of this country, we must remember that Japan is an agricultural country. The harvest of rice and other cereals mostly take place in the latter half of the year, and the sudden output of those products brings on a great activity of the market, so that at no time during the year is there a greater demand for currency than in those months. And yet it is precisely during the winter and spring, that the farmers sell the produce of the year and pay taxes, and no less than 30 millions yen usually accumulate at that time in the Government Treasury; or in other words, are withdrawn from circulation at a time when the money is most needed in the market.

The money thus accumulated finally gets back indeed to the community at large, yet it does so only gradually by being disbursed for the expenses of the administration, so that a greater time is consumed in the process than if it were employed in discounting bills or in making short time loans. In feudal times, not only were the administrative expenditures proportionally greater than to-day, but the governments of the different Daimios employed portions of revenues in making loans and otherwise offering assistance to people, so that not so much time was consumed in those days, as is the case to-day, before the revenues of the country were again disbursed among the people. These Han governments were, so to speak, so many banks, which facilitated the circulation of currency in localities far from the great centres of commerce. But all this has been entirely changed by the introduction of a highly centralized from of administration. The revenues received in money are mostly disbursed to pay the cost of the central administration, and only small portions are disbursed in distant prefectures to pay for the expenses of local administrations. It is for these reasons that every year at a season when land taxes are to be collected, there is a great searcity of money, and that the rate of interest suddenly rises, sometimes to more than 40

per cent., as was the case last year in Osaka and Tokio. In such times as that the greatest benefits would accrue to the community if parts of the public revenue might be employed in making short time loans or in discounting bills.

Some might think that to give so many privileges to the Central Bank would be a piece of Government favouritism, and prejudicial to the larger interests of the State. It seems to me that such objectors fail to note that the maintenance of the financial credit of the country is quite as important a governmental function as the care of education, defence or foreign relations. And in order to maintain the financial credit of the country, the Government must maintain its currency system in a sound condition. And since the establishment of the Central Bank is so essential to the maintenance of a sound monetary system, as has been already pointed out, I believe I do not exaggerate the fact when I say, that the establishment of a Central Bank is one of the prime necessities of the hour, in view of the large and far-reaching interests of the nation.

V. Discounting foreign bills of exchange will form one of the important functions of the Central Bank.

Men say that the most serious financial evil of the present time is the excessive export of gold coin from the country, and that the excessive export of gold coin is due to the excess of the imports over the exports. If the imports amount to 12 millions and the exports to but 10 millions, the balance of two millions must be made up by paying out specie, which will consequently leave the country. This is a simple, undeniable truth. But Japan is not alone among the nations of the world where the imports exceed the exports. In such cases the specie of a country naturally ought always to make up the balance by leaving the country to the amount equal to the balance, and a cry of scarcity should then be heard. But why is it that other countries do not experience any such scarcity, while Japan alone does? It is because there are in other countries proper organs for the special importation of specie, while no such organ exists in Japan.

Now if the Central Bank were established, it would at once constitute just such an organ. In order to illustrate the method by which the importations of specie are conducted, let me take an example from what would occur in the discounting operations of the Bank of France and of the National Bank of Belgium.

Let us suppose that the Bank of France is in correspondence with a certain private bank in Belgium, and employs the latter as its discounting agency; and that the National Bank of Belgium is in correspondence

with a certain private bank in Paris, employing the latter as its discounting agency. If now the discounting rate should be 4 per cent. at the National Bank of Belgium, and 3 per cent. at the Bank of France, the latter would instruct its agency in Belgium to buy bills at 3 per cent. discount. Belgic merchants would at once resort to the latter bank with bills to be discounted, rather than go to the National Bank of Belgium where the rate was higher, and a larger part of Belgic bills of exchange would as a matter of course flow into France. On the maturity of these bills, they would all be exchanged for gold and silver currency and exported to France. Of course these bills would most likely be paid in bank notes, but these notes being those of the National Bank of Belgium could be easily converted into specie at that bank, and thus the money exported to France would be all in gold and silver.

Suppose again that the rate of discount had been the same at both the Belgie National Bank and the Bank of France, say 3 per cent., and that on account of the searcity of bills to be discounted at the National Bank of Belgium, the latter reduced the rate to 2 per cent. The Bank of France would at once instruct its agency in Belgium to get rediscounted at the Belgie National Bank, the bills it had already discounted at 3 per cent. It would not only get in this way, the profit of 1 per cent., but the payment made in bank notes might be at once converted into specie to be exported to France. This is another method by which the Bank of France manages to import specie, while at the same time making a slight profit through discounting.

The method pursued by the National Bank of Belgium for importation of specie from France would be exactly alike. Besides, in England, Holland, Germany and Austria, there are large private banks with whom the National Bank of Belgium is in correspondence, and in view of the constantly changing conditions of currency, making attempts through discounting operations to bring about its even balance. Now these delicate operations can only be performed by a Central Bank, which, standing at the very centre of commercial and exchange activities, is in position to watch carefully changes in the economic world. It may indeed be true, owing to the yet undeveloped state of our national finances as well as to our lack of credit, that we shall not be able at once to imitate the method of operations commonly employed by the central banks of Europe, and meet the wealthy nations of Europe and America on footings of equality. Yet the even regulation of a country's currency is only possible when that country attains such a recognized financial position in the world. The establishment of a Central Bank would be a necessary means for the attainment of such an end. The first main efforts of the Central Bank would be directed toward the regulation of the currency at home, by making loans to banks and companies, so that through its aid the national capital would be increased. And when the country has finally attained such a financial position as would enable our Central Bank to establish correspondence with foreign banks, then the Central Bank would be in position to employ the usual method of discounting operations for the timely importation of specie from foreign countries. When that state of affairs is reached the country will never experience such a distress as the present one, even though the imports do exceed the exports and specie leaves the country in consequence. These exchange and discounting operations with the view to the importation of specie are doubtless not easy to perform. Even the great banks of Europe exercise in regard to these operations the greatest circumspection and look upon them as one of the most difficult departments of banking business. It would, however, be the privilege and duty of our Central Bank steadily to aim at the attainment of such a state of affairs.

The above are the five principal reasons for the establishment of a Central Bank in Japan. Let me now sketch under a few headings some of the main features of such a bank.

A. The Central Bank of Japan should not be permitted for some time to come to issue convertible notes; at the same time by way of bounty the Government should subscribe to one half of the shares of the Bank.

The five reasons for the establishment of a Central Bank as stated above are: 1st, to facilitate the circulation of currency; 2nd, to offer assistance to other banks and private companies; 3rd, to lower the rate of interest; 4th, to assume a part of the services in the Exchequer; 5th, to discount the foreign bills of exchange. These then will be the ends for which the Central Bank shall be established by the Government, and for the satisfactory attainment of these the Bank shall be responsible to the State. Now a great responsibility requires great strength rightly to bear it. It is but just and proper that the Government, in entrusting the Bank with such a heavy responsibility, shall confer upon it some special protection, in order to enable it to bear that responsibility. This is why in the countries of Europe, they confer upon Central Banks the sole privilege of issuing bank notes.

One great aim of the Central Bank consists in offering facilities for the circulation of money, and in giving assistance for the relief of financial distress. Now in the process of performing these duties, if there be not conferred upon it the privilege of issuing bank notes, and the Bank be limited in its business operations only to the utilization of its own

capital, how does it differ from an ordinary private bank? At the time when the National Bank of Belgium was established, the Belgian finance minister of that time, M. Frère-Orban, in the course of his remarks at the House of Deputies, said as follows: "If the amount of bank notes which may be issued is limited to the amount of its capital, its dividend will be no more than 3 per cent., even though the bank discounted bills all the year round at 4 per cent., and incurred no loss in management. For this reason, if the bank is fully to realize its ideal, there must be conferred upon it the privilege of issuing notes, several times the amount of its capital." This is really the principle on which the privilege of issuing bank notes is conferred upon all Central Banks in Europe, and only thus can these banks discharge the great responsibility laid upon them.

Now the proposed Central Bank in Japan will be exactly in the same position. That such a bank may worthily discharge its functions, it is highly desirable that it may possess the privilege of issuing bank notes. Yet unfortunately the specie is so scarce in the country now, that it will be impossible, in a short period of time, to call forth enough specie to form the necessary reserve for issuing bank notes. On the other hand if notes are allowed to be issued on the security of Government bonds, as in the case of our national banks, we shall but see the output of another batch of 8 millions of inconvertible paper and nothing else. It will be unavoidable, therefore, for the time being to postpone conferring the important privilege of issuing bank notes, and allow the public to pay for their subscriptions for the shares of the bank in current money. and give permission, moreover, to the Bank to turn its capital stock into a business capital, so that, through the perfecting of the financial organization of the country, the discounting of the foreign bills of exchange, the purchase of foreign coin and bullion, &c., a sufficient specie reserve for the issuing of convertible notes may at last be created. When the national coffers are sufficiently full of specie, then should take place the conversion of the Government paper money, and after that may finally be inaugurated the system of convertible bank notes. These gradual steps are under our present circumstances necessary, no other course being

Since one of the main objects of a Central Bank is to offer relief for financial distress (as well as to afford facilities for the circulation of currency) it will be safe to presume that such will be one of the legitimate functions of our proposed Central Bank; but it will be very difficult for this bank to obtain enough profit from making loans to banks and corporations with good security, to induce the public to become its sole shareholders. Now the current rate of interest being 15 to 20 per cent., the dividend promised to shareholders ought not to be less than 8 per

cent. Supposing that this bank after one year's business has obtained with its 10 millions of capital, 10 per cent. or 1,000,000 yen of net profit, (i. e. the balance remaining after the expenses of founding the bank, the current business charges, &c. have been deducted) 800,000 yen out of that one million will have to be set apart for dividends, leaving but 200,000 yen for deposit, and bonuses to officials, as well as for the second dividend, which is a small sum indeed for these purposes. There can be of course no apportionment of a second dividend. It would be impossible, therefore, unless the Government lent assistance by becoming a shareholder, for the bank to maintain itself in full activity with the capital collected from the public alone.

For these reasons it will be necessary for the Government, in order to make up for the temporary denial of the privilege of issuing notes, to become a shareholder of the Bank up to the amount of 5 millions yen or one half the entire capital of the Bank. In this way the Government will be able to afford security as well as contribute toward the successful development of the Bank's business. This will be done purely with the object of affording assistance and protection, not in any way to compete with private parties in the share of profits. For this reason some distinction ought to be made in the proportions of dividends between the shares owned by the public and those owned by the Government. For instance, if one half of 10 millions are owned by the people and the other half by the Government, and the net profit for the whole capital is 10 per cent. or 1 million, then 8 per cent. of one half of that, or 400,000 yen, may most properly be set apart to be apportioned among the private shareholders, which will leave a balance of 600,000 yen. The Government may well be content with 6 per cent. profit, or 300,000 yen, for its shares. which, being deducted, will leave 300,000 yen to be partly set by as a reserve and partly paid as bonuses to officials. If after these latter items have been settled, there yet remain any balance it may be divided between the Government and the private shareholders in equal proportion.

Now supposing that the net profit of 10 per cent. has been obtained, its method of apportionment will be as follows:—

Declared dividend for 5 millions yen of shares held	yen
by private individuals, at the rate of 8%	400,000
Declared dividend for 5 millions yen of shares held	
by the Government, at the rate of 6%	300,000
Reserve fund set apart, being 10% of the moneys	
left over after the above two items have been paid	30,000
Bonuses to directors, auditors and other officials, being	
10% of the moneys left over, after the above three	
items have been disposed of	27,000

It will be seen that the rate of total dividend for the shares held by the Government is 8.43 per cent. per annum, and for those held by private individuals 10.43 per cent.

It will thus be evident that while, without the Government aid, hardly enough money would remain for making the second dividend, after setting aside deposit and paying the bonuses, (the first dividend of 800,000 yen having been declared first), with the Government aid the bank would be able, (the amount of net profit remaining the same), to pay a second dividend to shareholders; and besides the profit of the Government would be no less than three or four hundred thousand yen. It is not improbable, moreover, that the net profit may be actually more than 10 per cent., so that the profit accruing both to the Government and private shareholders, when the bank reaches a flourishing condition, will be decidedly great. I have not the slightest doubt that, under these arrangements, the bank would be able to render its required services to the country, and that the Government would be able to accomplish its purpose in establishing the bank.

It ought to be remembered by critics that the Government confers this special protection upon the Central Bank, because of the particular needs of the time. For, unless such a protection is given, the Central Bank can never be established; and if the Central Bank be not established, it can not be hoped that the present high rate of interest will ever be reduced or that the present financial distress can ever be relieved.

At the time when the bank of France was first established, its promoters, in view of the difficulty of securing enough shareholders, petitioned the Government to come to their aid by making subscriptions for shares with one half the money which had been deposited at the Treasury as security by the Recereurs générals of provinces. The Government of France immediately granted their request by buying in the name of the Public Loan Bureau of the Government 5,000 shares for 5 million francs. Any government under those circumstances could do nothing else. But on the other hand, exactly for the very reason that such a measure is an exceptional one intended to meet a special emergency, when that emergency is over and the business basis of the bank is securely laid, the Government ought to take steps to transfer the shares it owns to private hands at reasonable market prices. In our case we can not but hope for the speedy coming of such a day.

B. The main Outlines of the Regulations respecting the Bank of Japan.

It is needless to say that in establishing a Central Bank in Japan, its regulations should be drawn up after the fullest consideration of the particular conditions prevailing in the country, the conditions in many respects quite different in kind and degree from those prevailing in Western lands. Yet on the other hand, it is evident that the pattern for such a bank can only be found among the banks of Europe, so that our most reasonable course would be to aim at framing as perfect a system as possible by taking European banks as our patterns. Now among the Central Banks of Europe, the two foremost banks are those of England and France. In extensiveness of influence and grandeur of organization, these two banks have no peer in the world. Yet it is also true that in point of the perfectness of organization and the well-regulated condition of business management, the National Bank of Belgium stands highest. This fact is due doubtless to the lateness of its founding, which enabled it to consider fully the mistakes as well as the successes of older banks. Its regulations are for this reason more perfect than those of any others, winning highest praises from the financiers of the world, and leading the Bank of Amsterdam, at the time of its organization, to closely follow its pattern. In the case of a Japanese Central Bank, therefore, no better pattern can be found than the National Bank of Belgium; and if the regulations thus copied are modified to suit our peculiar conditions and circumstances, I have little doubt that the system thus adopted will perfectly meet our present need, and that also in point of practical organization it will prove to be a success. For these reasons I have had the draft of the Regulations concerning the Bank of Japan as well as its By-Laws drawn up, taking as a pattern the National Bank of Belgium, but carefully considering the peculiar conditions and circumstances in our midst. This draft I now present with this memorandum. But to summarize the main features of the Regulations, they will be as follows:—

- 1. The term of business of the Bank of Japan to be thirty years.
- 2. Its capital to be 10 millions yen.
- 3. One fifth part of the capital to be paid in before the Bank begins business, and the remainder payable in installments as the Bank may require according to its business needs.
- 4. A limit to be placed on the kind of business the bank may engage in; the risky and dangerous kinds of business to be prohibited.
- 5. The Bank to be entrusted with the receipt and disbursement of Government money, so far as may be convenient to the Government.

- 6. While the issuing of bank notes shall be considered its rightful privilege, that privilege to be withheld for some time to come.
- 7. The Governor and Vice-Governor of the Bank to be appointed by the Government, the former to be of *Chokunin* * rank and the latter of *Sonin* * rank.
- 8. The Minister of Finance shall appoint Comptrollers to act as his representatives.
- 9. The Bank to make the monthly report of its business conditions to the Minister of Finance.
- 10. The Government to become the Bank's shareholder, to the amount of one half the entire capital of the bank.

Now for the successful working of the system, the above are the most important points that must be emphasised. Some persons may take exception to No. 7, to making the Governor of Chokunin and the Vice-Governor of Sonin rank, being something yet unheard of in Japan. Yet in order to secure the necessary confidence in the country, the Governor of the Bank needs to occupy an exalted position, and his appointment and dismissal made to depend upon the will of the Supreme Executive of the country. Countries like England, France, Austria and Germany, for these reasons, all have for their central banks governors who are appointed by the supreme authorities in those countries. In France even the president of the industrial bank is appointed by the supreme executive, formerly by the King, now by the President of the Republic. Such being the case even with the most advanced countries of Europe, how much more need will there not be in Japan, where the credit of banks and commercial houses are as a rule so low, to take every necessary precaution to increase the credit of the Central Bank, now to be newly established? If however these points are carefully noted, and the Central Bank established in accordance with these principles, I have little doubt but that it will prove a success, and that from its establishment will date the opening of facilities for the circulation of currency, the rise of commercial enterprises, and the expansion of the financial policy of the Empire. Before I conclude I cannot forbear saying a word in regard to the necessity of establishing industrial and saving banks. The industrial bank has for its object the loaning of capital on the security of land, houses and other real estate, for agricultural purposes or for manufacturing enterprises, like silk manufacture for example, or for engineering objects like a canal construction or harbour works. The great progress which European countries have made in re-

^{*}The official of the *Chokunin* rank is appointed by the direct command of the Emperor, while that of the *Sonin* rank is appointed on the recommendation of the minister in charge of the department, to which the appointee is expected to belong.

cent years in these respects is attributable in no small degree to the services rendered by the industrial banks of those countries. The savings banks have for their aim the encouraging of the spirit of thrift among the poorer classes of population. These people, whose earnings are small, may yet contract the habit of saving, and the accumulation of the mites, thus saved, may give them capital sufficient to start them in life. When the spirit of thrift comes to pervade the lower classes, the cases of crime will be much reduced, those who would have become criminals turning out to be good citizens. The statistics of European countries show that the number of people who marry and have homes of their own have been recently on the increase, and this fact must be largely attributed to the services of the saving banks. Industry and thrift are two chief factors in the production of national wealth, and the savings bank has for its aim the encouragement of the spirit of thrift, while the industrial bank seeks to encourage industry among the agricultural and manufacturing classes. And what the industrial bank seeks to do among the agricultural and manufacturing classes, the Central Bank tries to accomplish among the commercial classes. These three kinds of banks therefore, while their organizations are distinct and different so that they may never be brought within one organization, are yet closely dependent upon each other, and by mutual support work together toward the increase of national prosperity. They may be compared to the three feet of a tripod which support the economic structure of a nation.

The industrial and savings banks need special regulations for their right organization. Faulty systems, if hastily introduced, would lead to lasting misfortunes in the case of one, and to irredeemable sorrows in the case of the other. The services which the industrial bank is expected to render take time before results can be seen. For that reason, the bank needs the most careful protection and inspection according to special regulations. The small savings of the poorer classes are, on the other hand, so bound up with their very lives, that if wrongly managed and squandered these people can never hope to retrieve their losses. It is for these reasons that the drafting of regulations for these banks needs a most careful consideration.

The fact that in agriculture and manufacture larger capitals are being needed more and more, while the number of private savings banks is daily increasing, calls for the speedy issue of proper regulations concerning these banks. Indeed the private savings banks of the present day are so imperfectly organized, that should mismanagement occur and cause losses to the depositors, it is to be feared that people would come to distrust the system of saving itself. It will not be well, however, to consider the establishment of these different kinds of banks all at once;

and confining the present memorandum to matters connected with the establishment of a Central Bank, I shall seek some future opportunity to prepare the drafts of the Regulations concerning the Industrial and Savings Banks".

The foregoing memorandum was approved by the Government. In June 1882, the Government issued by Imperial Ordinance No. XXXII, the Regulations concerning the Bank of Japan, and on the 10th day of October of the same year the Bank of Japan was founded. The Regulations run as follows:—

The Regulations concerning the Bank of Japan.

- Art. I. The liabilities of the Bank of Japan shall be limited, so that the shareholders shall be responsible for the payment of the Bank's debts only up to the amount of the shares, paid or unpaid, owned by them.
- Art. II. The Bank of Japan shall have its central office in Tokio. In the capitals and other principal towns of prefectures, the Bank may open branch and sub-branch offices or establish correspondence with other banks; in all these cases, however, the Bank shall first obtain the approval and sanction of the Minister of Finance. The Minister on his part may order the Bank, if he think it necessary to open a branch or sub-branch office at any place.
- Art. III. The legal term of business of the Bank of Japan shall be thirty years, counting from the day it opens business. By the resolutions of the shareholders at their general meeting, the Bank may petition the Government for the lengthening of the term.
- Art. IV. The capital of the Bank of Japan shall be 10 million yen; these being apportioned into fifty thousand shares, the portion of each share shall be two hundred yen. By the resolutions of the shareholders at their general meeting, the Bank may petition the Government for permission to increase its capital.
- Art. V. The shares of the Bank of Japan shall be all registered; none but Japanese subjects being allowed to sell, purchase or transfer these shares.
- Art. VI. Persons desiring to become shareholders of the Bank of Japan shall obtain permission of the Minister of Finance.
- Art. VII. When one fifth part of the capital authorized has been paid in, the Bank may open business; concerning the method of levying subscriptions to its shares, the Bank shall make proper

regulations in its By-Laws.

- Art. VIII. When part of the paid up capital has been reduced on account of losses from business, the Bank shall demand an installment of a portion of the unpaid capital, equal in amount to the amount reduced.
- Art. IX. When need arises, on account of the expansion of the Bank's business, of increasing its paid-up capital, the Bank shall demand an installment of a portion of unpaid capital.
- Art. X. After a dividend has been declared, at least $^1/_{10}$ part of the remaining profit shall be set apart as a reserve fund. The aims of the reserve fund are two:—
 - 1. To make up for the reduction from losses of the capital.
 - 2. To make up for the deficiency of the profits to be divided.
- Art. XI. The business of the Bank of Japan shall be as follows:—
 - 1. To discount or purchase Government bills, bills of exchange, commercial bills, &c.
 - 2. To buy and sell gold or silver bullion.
 - 3. To make loans on the security of gold and silver coins, or bullion.
 - 4. To make the collection of bills for banks and corporations, who are regular customers of the Bank.
 - 5. To receive deposits in current accounts and accept the custody of objects of value, such as gold or silver coins, precious metals and documents.
 - 6. To make advances in current accounts or in loans for fixed periods upon the securities of Government bonds, Treasury bills or other bonds and shares guaranteed by the State; as to the amount of such advances and the rate of interest, the Governor, Vice-Governor, Directors and Auditors shall make joint resolutions from time to time, and obtain the sanction of the Minister of Finance.
- Art. XII. The Bank of Japan may not engage in any kinds of business other than those mentioned in Art. XI, and shall not transact the following:—
 - 1. To make advances in loans on the security of real estate, or shares of bank or other corporations.
 - 2. To make advances in loans on the security of the shares of the Bank of Japan, or to purchase these shares.
 - 3. To become a shareholder of industrial corporations or to engage either directly or indirectly in industrial enterprises of any kind.
 - 4. To become the owner of real estate, except from the necessity

- of establishing the Bank's central, branch or sub-branch offices.
- Art. XIII. The Government may at its own convenience entrust to the Bank of Japan services connected with the receipt and disbursement of the Government money.
- Art. XIV. The Bank of Japan shall have the privilege of issuing convertible bank notes. When the permission to exercise this privilege is given to the Bank, the Government shall issue particular rules relating to the same.
- Art. XV. The Bank of Japan may issue bills and cheques.
- Art. XVI. The Bank of Japan may purchase or sell Government loan bonds; the Bank shall, however, in each case obtain the permission of the Minister of Finance.
- Art. XVII. The Bank of Japan shall be presided over by a Governor, Vice-Governor and four Directors; besides these, there shall be from three to five Auditors.
- Art. XVIII. The Governor and Vice-Governor shall be appointed for the term of five years, the former to be *Chokunin*, the latter *Sonin* in official rank; they may not during their term of office be appointed to any other Government offices.
- Art. XIX. The Directors shall be elected by the shareholders at their general meeting and afterward sanctioned by the Minister of Finance; in the case of the first Directors, however, they shall be appointed for the term of five years by the Minister of Finance. The Auditors shall be elected by the shareholders at their general meeting; and the terms of office of the Directors and Auditors shall be determined by the By-Laws of the Bank of Japan.
- Art. XX. The Directors may not become, during their term of office, the officers of other banks or corporations.
- Art. XXI. The Minister of Finance shall appoint Comptrollers to make periodical visits to the Bank and oversee its business management.
- Art. XXII. The Bank of Japan shall make careful inquiries into the condition of its business in the central, branch and subbranch offices as well as its correspondents, and make report to the Minister of Finance at least once a month.
- Art. XXIII. The Bank of Japan shall make its own By-Laws in accordance with the provisions of these Regulations, and obtain the sanction of the Government for the same; when it is desired to make changes in those By-Laws, the shareholders shall pass resolutions to that effect, at their general meeting, and secure

the sanction of the Government.

- Art. XXIV. The Government shall oversee the business management of the Bank, and may not only stop acts which are contrary to the Regulations or the By-Laws, but also those which in the opinion of the Government are contrary to the interest of the State.
- Art. XXV. In case these Regulations are amended, the Government shall publicly notify the shareholders of that fact, three month previous to the going into effect of those amendments."

At the same time with the establishment of the Bank of Japan, the Government took measures to increase its revenue; in 1882 the Government first levied stamp duties on patent medicines, and license tax on the brokers of the rice-exchange and the stock-exchange, and revised saké and tobacco taxes; and in 1885, taxes on soy and confectionary were levied for the first time. One half of the surplus of revenue which was secured through these means was devoted to the redemption of inconvertible paper money, while the other half was added to the reserve fund with the object of employing it for securing the importation of specie from abroad.

The Government now established consulates in London, New York and Lyons, the three greatest foreign markets for Japanese goods; and by employing the reserve fund of the Government in discounting foreign bills of exchange, tried to absorb specie from abroad, as well as to encourage the export trade. To import foreign specie in some way was at the time an absolute necessity, since the output of gold and silver from Japanese mines only amounted to 400 or 500 thousand yen annually. As results of this policy the amount of paper money was reduced at the end of 1885 to about 88,345,096 yen, while at the same time the Government was yet able to keep about 42,260,000 yen of specie in the reserve fund. In view of these facts, the price of paper money gradually kept rising until it stood on a par with silver. The Minister of Finance. Mr. Matsukata (now Count) now presented to his colleagues a plan of permitting the Bank of Japan to issue a certain amount of convertible bank notes as a sort of experiment, preparatory to the resumption of specie payment. The Government, on approving this plan, had regulations drawn up concerning convertible bank notes. Imperial Ordinance No. XVIII and the accompanying Regulations in regard to convertible bank notes, which were issued on the May 26th, 1884, run as follows:—

Imperial Crdinance No. XVIII of the 26th day of May of the 17th year of Meiji (1884).

The Convertible Bank Note Regulations are hereby issued. They shall go into operation on the 1st day of July of the 17th year of *Meiji* (1884). Imperial Ordinance No. C promulgated in September of the 7th year of *Meiji* (1874), will cease to be effective one year after the day these Regulations are issued.

The Convertible Bank Note Regulations.

- Art. I. The Convertible Bank Notes shall be issued by the Bank of Japan, in accordance with the provisions of Art. XIV of the Regulations concerning the Bank of Japan. These Bank notes shall be convertible with silver.
- Art. II. The Bank of Japan shall keep a sufficient amount of silver coins as reserve fund for the conversion of its notes.
- Art. III. The denominations of the Convertible Bank Notes shall be 1-yen, 5-yen, 10-yen, 20-yen, 50-yen, 100-yen, 200-yen, seven kinds in all. The Minister of Finance shall determine the amount to be issued of each kind.
- Art. IV. The Convertible Bank Notes shall be legal tender in the payment of taxes and custom duties, as well as in all monetary transactions.
- Art. V. The Convertible Bank Notes shall be manufactured by the Bank of Japan according to the shape, lettering and design fixed by the Minister of Finance; the amount manufactured being reported to the said Minister from time to time. The Minister of Finance shall previously notify the public as to the specimen of the note to be issued.
- Art. VI. Persons desirous of getting the Notes exchanged for coins may get them so exchanged at the central or a branch office of the Bank any time, when the office is open for business.
- Art. VII. Persons bringing gold or silver coins to be exchanged for the Notes may get them so exchanged at the central or a branch office of the Bank, without fee.

- Art. VIII. The Bank shall prepare tables showing the receipts and disbursements of the Notes for each day, as well as for each month, and report the same to the Minister of Finance.
- Art. IX. The Minister of Finance shall instruct the comptrollers to oversee all matters relating to the issuing of the Notes; when necessary the comptrollers may examine the safes where the Notes are kept, as well as the books recording the Notes issued.
- Art. X. The Notes which get defaced or mutilated so as to be unfit for circulation, may be exchanged, without fee, at the central or a branch office of the Bank.
- Art. XI. All processes regarding the manufacture of the Notes, their redemption, the exchange of damaged Notes, &c., shall be determined by the Minister of Finance.
- Art. XII. All crimes respecting the counterfeiting and fraudulent alteration of the Notes shall be punished in accordance with the articles, relating to the counterfeiting of paper money, in the Criminal Code.

In accordance with these Regulations the Bank of Japan began to issue convertible bank notes on the 9th of May, 1885. And the Minister of Finance (Count Matsukata), in view of the fact that every preparation was now fully made for the Government to resume specie payment, presented the following memorandum to the Government:—

Very soon after the Restoration, the Imperial Government was sorely pressed with the need of money to defray manifold expenses to which the Government was subjected, and as the only measure of relief, they decided to issue paper money. The paper money was thus issued on the 19th day of the second 4th month of the 1st year of Meiji (1868) and the period of circulation was limited to thirteen years. On the 28th day of the 5th month, 2nd year of Meiji (1869), the system was changed, and it was publicly notified that the notes would be exchanged with new coins which were then to be issued. But the demand for Government expenditures continued to be so great—owing to the facts that every piece of administration had to be newly begun, as well as to the fact that the Government had on hand the task of adjusting the disordered state of affairs resulting from the war just closed—that the promised conversion of paper money had to be practically abandoned. In the 12th month of the 4th year of Meiji (1871), it was announced by Imperial Ordinance that the various kinds of paper money would all be exchanged with the

new paper money*. In the following year, the Government put forth a plan of redemption by inviting the people to have paper money exchanged with the Government bonds to be issued for that purpose. The Kinsatsu (literally gold notes) Exchange Bond Regulations were thus issued in the 3rd month of the 4th year of Meiji (1872). Yet the amount thus exchanged was small, never accomplishing the purpose of reducing the amount of the notes in circulation. After those days a series of political disturbances occurred, culminating in the rebellion in the South-Western provinces in 1877; and from these causes the financial distress of the Government grew greater step by step, so that the Government was led to issue another large batch of paper money. Thus while the amount of paper circulating before the War of Rebellion stood at yen 93,323,156.3385, it was increased by the addition of 27 millions issued during the war, and also by the issue of a large amount of national bank notes. In 1878 the amount rose to such enormous proportions and their prices fell so rapidly, that in the year 1880 and 1881 the depreciation amounted to as much as 50 per cent. of the face value. This was due doubtless to their over-issue, but also no less to the fact that the notes being inconvertible could not command enough credit.

At the time the undersigned (Count Matsukata) accepted the present post, the Government was most seriously engaged in an attempt to find some fit measure of relief. The measures I had the honour to suggest having been approved by the Government and having received the August Sanction, progress was made step by step in the line of financial reform. As such steps may be mentioned, the reduction of the expenditures of the Government with the view to the contraction of paper currency; the increase of the specie reserve as preparatory to notes redemption; the retirement of the paper money temporarily issued from the paper money reserve; the founding of the Bank of Japan, by which the financial organization of the country was perfected, the revision of the national bank regulations, by which a way was opened for the redemption of national bank notes; and lastly, the issuing of the Convertible Bank Notes Regulations. During the first part of the period, the amount of paper in circulation was yen 154,803,242.282-of which 34,398,030 yen were national bank notes, and 14,500,000 yen were the temporary issues from the paper money reserve. But this amount has been reduced during the last three years-including the present year, 1884—by the redemption of yen 34,133,754.25—of which 14,500,000 yen were issues from the paper money reserve, and 3,637,772 yen were

^{*} Manufactured in Germany: these new ones also inconvertible as the old ones.

the notes of national banks. Of the Government paper money that remains and is now in circulation, there are yen 89,909,230.032. On the other hand the increase of the Government's specie reserve has been not inconsiderable. In 1881 the specie reserve of the Government for the purpose of redemption amounted to but yen 7,385,997.16. (This is the balance remaining of the amount of specie in the Government reserve on the 21st October 1881, after from that amount has been deducted yen 1,288,176.722, being the amount employed in discounting foreign exchange bills). Now after but little over three years, in October of this year, the specie reserve will probably amount to yen 39,612,810.722. Comparing this with the volume of paper money in circulation to-day, it comes up to almost one half the amount of the latter. That so much has been accumulated in times, when there have been so many calls for expenditures, must be attributed largely,—though no doubt partly due to certain natural causes,—to the earnestness of the Government in making the attempt to relieve the financial distress. In view of past circumstances and of the probable direction of future affairs, I cannot but think the present to be the most opportune moment for redeeming the inconvertible paper money. I pray most earnestly that the Government will approve these suggestions and not let go the present opportunity. I have no doubt that if these reforms are now effected, that all fear of certain unexpected disturbances in commercial affairs will be quieted, and the much needed facilities finally offered for the circulation of currency. But currency reforms need to be effected with extreme caution on account of their many-sided influence. It will be well, therefore, to effect the change now contemplated gradually, not too suddenly. The 1st day of January, 1886, may be fixed as the date on which the process of redemption shall begin to take place. The present specie reserve may first be devoted to redemption, while the coins minted out of the Redemption Fund, year by year, may be set apart, as fast as produced, as reserves for further exchange. Let the business of exchange be entrusted entirely to the Bank of Japan, and that Bank instructed to exchange all the Government paper money that may come to that bank by way of ordinary circulation. Thus may the too sudden change be avoided, and the reform effected smoothly and quietly. If these suggestions shall happily receive the August Sanction, not only will the Government be able to accomplish its original purpose in regard to paper money, but the credit of the Government both at home and abroad will be thereby assured, the national finance placed on a five basis, and the future happiness of the people greatly enhanced.

As the result of this memorandum the public was notified through Imperial Ordinance No. XIV of June, 1885 (18th year of *Meiji*), that the Government would commence to pay specie in exchange for Government paper money on January 1st, 1886 (19th year of *Meiji*,) The Ordinance runs as follows:—

Imperial Ordinance No. XIV of the 6th day of June of the 18th year of Meiji (1885).

The paper money issued by the Government shall be gradually exchanged with silver coins from January 1886 on, and the paper money thus exchanged shall be cancelled. The rules concerning the process of making the said exchange shall be fixed by the Minister of Finance, and the business entrusted to the Bank of Japan.

As to the conversion of national bank notes, the Minister of Finance, Mr. Matsukata (now Count), saw the need of first amending the National Bank Regulations, with reference to which he presented the following memorandum to the Government. It was dated March, 1883 (16th year of Meiji), and runs as follows:—

"The policy which a country pursues respecting paper currency exercises a most important influence upon its financial well-being. If that policy be false, the price of paper money will be in constant fluctuation, and the credit of the country will be lowered; in short, all the evils of national economy result therefrom. Now every sound policy respecting paper money must include two things: 1st, to keep the amount issued within proper limits; 2nd, to keep the paper money uniform in kind. Each country has its own limit to the need of paper money. This limit is fixed by the working of economic laws, and if that limit be transcended through over-issue, there invariably follows depreciation in the price of the paper, causing disturbance in the prices of commodities. These are economic truths. Now the paper money of Japan to-day being inconvertible lacks the nature of elasticity; so that although the amount already in circulation exceeds the proper limit, it cannot adjust itself by contracting the amount by its own free action. For this reason it is incumbent on the Government to determine upon some fit measure for the reduction of the amount, so as to bring it within the proper limit. This is the first thing to be considered. The second thing to be considered is

the advisability of reducing the various kinds of paper money now in circulation into one uniform kind. For when there are different kinds in circulation, not infrequently it happens that they differ in the degree of credit they receive from the public, so that their prices differ from each other, those weak in credit circulating at various discounts. These evils have often happened in Europe. In the case of our country at present, the national bank notes in circulation have been issued by some one hundred and forty banks, to which must be added the paper money issued by the Government. While the evils have not yet attained the degree reached sometimes in Europe, yet the confusion is already great, and no one can assure us that we shall not witness here some of the greatest evils seen in Europe. It is very clear that our true policy will be to take speedy measures for retiring all these varieties of paper currency and have them substituted by one uniform kind. The recent establishment of the Bank of Japan may indeed be looked upon as a step in advance in this direction. In the realization of this policy, however, it will be well first to take up the problem concerning the disposal of the bank notes. For the disposal of the Government paper money, a different plan will have to be adopted which will be considered at some later time. At present in this memorandum let me confine myself to the discussion of the past history and the method of disposal of the national bank notes.

The national bank notes were first issued in the 5th year of Meiji (1872), in accordance with the original National Bank Regulations. According to those Regulations the national banks were permitted to issue notes, only on condition that these notes were to be convertible with gold. At first there was no difference in value between gold and paper, and the system worked well and smoothly. The bank notes of those days were therefore in their nature faultness. The conditions however became changed, when with the 7th and 8th years of Meiji (1874-5) the imports of the country began to greatly exceed its exports, and as a natural result there began to take place a greatly increased export of specie. In consequence of this the price of gold coins daily rose, and the demand made upon national banks for the conversion of notes became exceedingly great. The banks now found that, if they continued longer to keep the supply of specie on hand for the purpose of exchange, not only would they have to rapidly shrink the volume of their business, but that they would be rather assisting in the efflux of gold abroad. For these reasons four national banks, 1st, 2nd, 4th and 5th, explaining fully the circumstances they were placed in, jointly petitioned the Government to introduce some amendments to the National Bank Regulations respecting the convertibility of bank notes. Yet the Government could

not see that it could grant at once the petition from these banks, but tried to help them by making loans of the Government paper money. This was, however, but a temporary makeshift; and that the system of bank notes, convertible with gold, could not permanently be maintained was apparent to every body. There was another strong reason for making a change. In the 7th year of Meiji (1874) the Government determined to supply with the Voluntary-Capitalized-Pension-Bonds, those who surrendered voluntarily either their hereditary pensions or their pensions for merit. In consequence, the number of the Samurai who went into business or agriculture, with funds thus obtained, was very large. And they nearly all failed; their hereditary training for three centuries, their personal habits and aptitudes, were all against them in their new pursuits. And when in the 9th year of Meiji (1876) the payment in rice of the pensions of the Daimios and Samurais were stopped, and instead the Government supplied them once for all with the Government bonds, there was great fear and anxiety that these bonds so freely scattered suddenly would depreciate, and that the owners of them finally come to lose their only means of livelihood. From a political point of view there was an urgent necessity of protecting these classes from making failures, for in them existed the energy of creating disturbance. The Government therefore adopted a plan of encouraging them to establish the note-issuing banks with the Government bonds as capital, and to protect these banks by making proper regulations. There arose thus a need of amending certain clauses in the existing regulations of the National Banks relating to the specie reserve and the convertibility of paper with gold, &c. This strong reason combined with the urgent petition from the four banks mentioned above, led the Government to revise the original National Bank Regulations. The revised Regulations, which are those in operation at present, were issued in 1876. By this revision the convertibility of the bank notes with gold was changed to their convertibility with currency.

Now the essence of the bank note is in its convertibility with gold, like a promissory note. But according to the change thus made, the convertible notes were changed into inconvertible notes. They became now practically what are called in Europe le cours forcè, and the essential nature of a bank note was entirely lost. The Government was not indeed ignorant entirely of this absurdity. Yet they took these false steps, being urged on by strong reasons both political and financial as mentioned in the previous paragraph. And indeed, we must grant that, though false in principle, these steps led to useful results. For at that time, if it were attempted to maintain intact the true nature of the bank note, the banks of the country would have all failed; and if the banks failed or could not be organized, the Samurai would have failed to find

means of earning a livelihood; that the Samurai were able to pass through this most critical stage in the history of their class without too great sufferings is doubtless due in no small degree to the special protection afforded them by the Government.

The condition of things has improved since those days. In agriculture and commerce, and in financial matters, the signs of improvement and prosperity may be noticed. With these improvements, the currency policy needs also to be changed, so that the inconvertible paper money may be replaced by convertible notes, and the various kinds of paper money now promiscuously circulated, replaced by an uniform paper currency. Indeed among the purposes for which the Bank of Japan was organized, this has already been noticed as one of the most important. But if this purpose is ever to be accomplished, proper measures must be taken now which shall prepare the way for the proper disposal of our national bank notes. The redemption of these notes, if rightly done, will have a most important influence on the state of currency as a whole; for the national bank note possesses the full powers of legal tender money, being used in payment for taxes and in monetary transactions of all kinds. If, therefore, these notes are redeemed, the effect will be the same as a reduction of currency, and it will contribute materially toward the necessary contraction of the national currency.

Now in regard to the best method of disposal of these bank notes, it would not do to transfer the ownership of them to the Bank of Japan, and entrust that bank with the responsibility of redeeming those notes—in imitation of a course which has been sometimes pursued in Europe. If the Bank of Japan had to-day enough financial strength to be able to issue convertible notes, such a method might indeed be adopted. But unfortunately such is not the case yet. And when that Bank, while it nominally possesses the privilege of issuing notes, is in reality unable to exercise that privilege, how can we entrust it with the responsibility of redeeming some 34 millions of inconvertible national bank notes now in circulation?

It may be suggested by some that the Government might give special permission to national banks, to freely employ in ordinary business the specie reserves of those banks, which are now kept for the purpose of redemption; and that the Government might require the banks to redeem their notes in proportion to the amount thus employed from the reserve. But this again does not seem to be a proper method; for the reason that this will not go far enough. The Government might indeed give such a special permission; but even supposing the entire reserves of all the national banks had been so employed, they would amount to only about 5,500,000 yen (in making this estimate, in the case of the reserve of the

15th Bank the amount actually in existence only is counted), and the notes redeemed would amount to no more than that sum. There would yet be left some 28 millions of inconvertible notes in circulation, and some further method would have to be devised for the redemption of this large remainder. Now as to this further method, there seem to be two plans: one being to order the banks to redeem by installments annually during their remaining legal term of business, apportioning to each year an even amount; the other to wait till the end of the term and to require them to redeem all the notes at once. Now if the former plan were adopted, the banks would first redeem the amount of notes equal to the specie reserve, and then the remaining amount in even apportionments annually, by devoting a certain portion of each year's profit to that object. For example, suppose here is a national bank with a capital of 100,000 yen, and it has issued 80,000 yen of notes. Now if it should at once redeem 20,000 yen of these notes, as being equal to the amount of its reserve, there will yet remain 60,000 yen to be redeemed in fifteen years (its remaining legal term of business); which will compel the bank to set aside 4,000 yen annually of its profits for the purpose of redemption. It would seem that such an outlay would be beyond the powers of most of these banks to bear. It may be said that the banks could not complain, for they would be but discharging the debt they incurred; but for the Government to come suddenly upon these banks with such heavy demands might be justly regarded as an act of too great stringency. Most of these banks have a small capital and make but small profits; and if they are compelled to pay out no inconsiderable part of their profit annually for redemption of notes, the number of them which fail will without doubt be suddenly increased. Some may even say that there are already too many banks in the country and the failure of some would be but sifting out chaff and in the end do good to the country. On the contrary, however I must contend that there are not too many banks in the country. Banks are no other than channels for the circulation of currency, and no nation can financially prosper without a sufficient number of them. Compared with Europe, the banks of this country are not by any means too many. Moreover such critics do not seem to realize the extent of the injuries which happen to the money market from bankruptcy. If such failures occur more frequently than they occur to-day, their disastrous effects will be beyond estimation. Then again in regard to the second plan: if, according to this plan, all the outstanding amount of notes -some 28 millions in all-is to be redeemed at once at the expiration of the term of business, which will be about 1898 or 1899 (31st or 32nd year of Meiji)—for since these banks were organized mostly in the 11th or 12th years of Meiji, their twenty years term will

expire in the years just mentioned—more than one hundred and forty banks of the country will be all at once selling their Government bonds, with the object of redeeming their notes. But such a sweeping wholesale method of redemption will be most certainly productive of sudden changes in the financial condition of the country, and the banks thus suddenly bereft of capital will be one after the other panic stricken and ruined. In such circumstances, the Government will be compelled either to prolong the term of business or to find some method of protecting those banks by affording them financial aid. So then all these objections stand against the adoption of this second plan.

While there are such difficulties in the way of the adoption of these plans, yet nevertheless some method of accomplishing redemption must be devised. It will be impossible to continue longer without determining upon some sound policy. The evils of the present are sufficiently great, and they will grow greater with each day they are left unremedied. The following, then, is the plan I submit. The line of policy will be to fix upon a plan of gradual redemption so as not to create disturbances in financial conditions, and that plan so devised as to give assurance to the banks concerning their future prospects; so that they will be made to see that after the notes are all redeemed, they will be able to carry on business as the private banks of to-day. In the first place, according to this plan, we must introduce certain amendments into the existing National Bank Regulations, so as to require the national banks to deposit their reserve funds in the Bank of Japan and entrust to that bank the work of redeeming the national bank notes, by employing those reserve funds thus deposited there. Then the Bank of Japan will buy with these funds Government bonds, the interest on which will be spent annually for the redemption of notes. Each national bank shall moreover make deposit annually out of its profit, the amount of money equal to 2.5 per cent. of the notes issued by that bank, to be employed by the Bank of Japan in buying Government bonds, whose interest shall also be devoted to the redemption of notes. If any of the Government bonds purchased in these ways are liquidated by lot, the money thus accruing to the bank shall be again employed in buying Government bonds, the interest from which will also be devoted to the redemption of notes. If after these processes have taken place for fifteen years, there yet remain notes unredeemed, a portion of the Government bonds shall be sold, and the proceeds thereof devoted to the redemption of such remaining portion of the notes. Now since according to this plan, the entire business connected with the redemption of the notes issued by national banks would be entrusted to the Bank of Japan, it might perhaps be urged in objection that there is no reason why the Bank of Japan should be

s) especially burdened with the task of adjusting the disorders connected with the issue of inconvertible bank notes. In reply it must be said that the Bank of Japan enjoys extraordinary privileges conferred upon it by the Government; and it fills, besides, the position of being the Central Bank for all the banks of the country, so that in return for these privileges it might with perfect propriety be placed under some such special obligations.

It ought to be remembered that the privilege of issuing bank notes has been conferred by the Government on the national banks for the term of twenty years; and, therefore, if the Government adopt a policy of reducing the amount of the notes before the expiration of the period, it is but proper that the Government should provide some method of specially protecting those banks. Now, if the plan set forth in the preceeding paragraph be adopted, it would amount to the Government's affording special financial assistance to these banks; for the reserves which are now lying idle in the safes of the banks, would be made to yield interest, and this interest would be devoted to the gradual redemption of bank notes, extending over the period of fifteen years. advantages of this method are numerous; 1st, in this way the national banks need not suffer the yearly loss of capital, which they would in case they engaged in the redemption of notes, so that the cases of failures of banks would not much increase; 2nd, the notes would come back to the banks after the expiration of fifteen years in the form of currency, while the Government bonds deposited by these banks in the Finance Department as well as their reserve funds, would still remain theirs in the end; 3rd, since the large amount of notes would not be at once redeemed, there would be no fear of producing sudden changes in the money market leading to financial distress; and 4th, the amount of paper money would be reduced to its natural limit, and thus a way would be opened for the introduction of a uniform system of paper money. There would be these four advantages, and scarcely any fear of producing disturbances. The method, moreover, is rational, clear and impartial, not doing injustice or damage to any one party, but serving equally the interests of different parties concerned. The Government would be able to carry on this plan, when once adopted, without hesitation or fear of any kind. Where else shall we look for a plan of redeeming the national bank notes, if we reject the plan here advocated?

Before concluding, there is one thing that needs to be mentioned. It is no other than the fact that when the process of redemption of bank notes is fairly in progress, then and only then, may the industrial bank—Crédit foncier—be established. The importance and necessity of establishing that institution which has for its object the encouragement of

agriculture and of industrial enterprises by supplying them with necessary capital have been explained on a previous occasion. The reason why this class of institutions can not be now at once established, is in the fact that since the market price of Government bonds is below par it will be impossible for these institutions to issue bonds (obligation). Now according to the plan of redemption advocated in the present memorandum, the Government bonds which would have to be at once purchased by the Bank of Japan with the specie reserves of the national banks would amount to some 7,900,000 yen, (in this estimate the reserve fund of the 15th Bank is regarded as having reached its legal amount, by counting in the money paid back to the bank by the Government), and those purchased with the yearly deposits of the national banks (2.5 per cent, of the notes issued) would amount to some 700,000 yen annually. In fifteen years' time, the total purchased in these ways would rise to over 10 millions. Now, if this large amount of Government bonds is kept in the Bank of Japan, there is no question that it would effectively reduce the amount of the bonds in circulation, even though on the other hand the Government would be releasing part of the bonds kept on deposit as security for issuing notes, in proportion to the notes redeemed. And this reduction in the amount of circulation of these bonds would necessarily tend to raise their market price. When these bonds regain their face value, then the bonds of the industrial banks may be issued; and these, circulating side by side with the Government bonds will not injure the credit of the latter.

It may be objected, that to keep this large amount of Government bonds in the Bank of Japan for fifteen years, and after that to put them out for sale, would bring about the depreciation of the price of these bonds, and thus create disturbance in the national economy. Such, however, will not be the case at all. There are now altogether seven kinds of Government bonds; but of these four are to be liquidated within the next fifteen years, leaving only three to run beyond that period—namely, the Old Loan, the Hereditary Pension Bonds, and the Loan for Public Works. Of these three, the first needs no mention since they bear no interest, being a sort of terminable annuity, while the second reach their maturity in 1906 (39th year of Meiji), and the third in 1902 (35th year of Meiji). After fifteen years, therefore, the bonds in circulation will be greatly reduced, and the demand for them will doubtless greatly increase. Besides, with the better adjustment of financial organs and means, the current rate of interest will tend to get lower, which will also help to increase the demand for Government bonds. There need be, therefore, no fear of depreciation in the price of Government bonds, and it may be confidently expected that, in a few years, an opportune moment for the establishment of the industrial bank will arrive.

The policy laid down in the foregoing memorandum was adopted by the Government, and by Imperial Ordinance of the 5th of May, 1883 (16th year of Meiji), the Government introduced certain amendments in the National Bank Regulations. According to these amendments, the term of business of national banks was to be twenty years, counting from the day they received their charters, and if they desired to continue their business after the expiration of the term, they were to do so as private institutions; moreover, each bank was required to keep as a reserve fund for the redemption of notes, money equal in amount to 1/4 the amount of notes issued by that bank, and effect redemption within its term of business according to the method laid down in the following regulations. It was also stated in these amendments that persons desirous of having the bank notes exchanged for currency might do so by taking them to the Bank of Japan. The rules laid down for the redemption of notes were as follows:-

- I. Each national bank shall, before the date to be hereafter fixed by the Minister of Finance, place at the Bank of Japan its reserve fund, as a fixed deposit during its remaining term of business, and devote it to the purpose of redeeming its notes.
- II. Each national bank shall set apart every six months a portion of its profit, whether that profit be large or small, equal in amount to 2.5 per cent. per annum of the amount of the notes issued by that bank (1.25 per cent. per six months). This sum is to be deposited at the Bank of Japan to form part of the redemption fund.
- III. The Bank of Japan shall receive deposits as stated in the foregoing paragraphs, and enter into particular contracts with each national bank, in order to effect the redemption of the notes issued by the national banks; and as fast as redeemed, those notes shall be delivered over to the Department of Finance. The contracts the Bank of Japan may enter into with national banks, shall receive the sanction and seal of the Minister of Finance.
- IV. The redeemed notes when delivered by the Bank of Japan shall be cancelled by being burned at the Department of Finance, according to Art. LI of the National Bank Regulations; each time such cancellation takes place, the fact shall be publicly notified.
- V. The Department of Finance on taking delivery of the said

notes shall return to each bank the Government bonds deposited at the Exchequer Office as security for the notes issued, equal in amount to the notes redeemed of that bank.

These various plans for the redemption of inconvertible paper money having been faithfully carried out, on the last day of June, 1888, the amount in circulation was found to be much reduced; of the Government paper money there being in circulation some 49,337,247 yen, and of the national bank notes some 28,059,486 yen. The Minister of Finance, Mr. Matsukata, (now Count) seized this opportunity for introducing amendments into the Convertible Bank Notes Regulations, in order to establish the currency system of the country on a sound basis. The following memorandum was presented by him to the Cabinet Council in July of the same year:—

"While the Government issued paper money—notes issued by the Daijokwan—at the beginning of the Restoration as an emergency measure, for the relief of the financial distress of the time, the disadvantages of issuing inconvertible notes was plainly seen at the time, and hence the period of circulation of these notes was limited to thirteen years. It was hoped that after the expiration of this term of years, the Government would be able to introduce a convertible system of paper currency. But the everincreasing Government expenditures—which were owing to the fact that every department of the Government as well as public enterprises of all kinds had to be all at once either reformed or newly begun,—compelled the Government to forego the first plan; and, instead of redeeming the paper money in circulation, they kept adding to that amount. In 1878 the depreciation of notes was striking, that the Government, getting alarmed, made every effort to bring about the introduction of a convertible system. These efforts were now directed on the one hand toward the contraction by making partial redemption of the amount in circulation. and, on the other, toward increasing the specie reserve which was intended to serve as fund for redemption. Owing to these measures the price of paper returned to its face value, and, in June 1885, the Government publicly notified its determination, as has been previously stated. to begin the gradual redemption of the Government paper money. After this decisive measure had been adopted, still further steps were taken in succession toward effecting the entire redemption of the Government paper money by substituting for it the system of convertible bank notes. Yet, on the other hand, the amount of the paper money already issued was so great that, notwithstanding every possible effort on the part of the Government, it has not yet been all redeemed. This is indeed to be greatly regretted. Now after careful examination of the methods and processes of the banking operations of Europe and America, which may possibly be taken as examples for our present case, I have come to the conclusion that to enlarge the privileges of the Bank of Japan in regard to its power of issuing notes, and then to borrow a portion of its notes, at a low rate of interest or without interest, and employ them for redeeming the Government paper money would be, under the circumstances, the best possible method that can be found. These reasons lead me to submit to the Cabinet Council for its careful consideration a draft of the amendments to be introduced in the Convertible Bank Notes Regulations, with a statement of reasons for these amendments, and some tables.

Note: - The above mentioned statement of reasons and tables are now omitted.

The policy embodied in this memorandum being approved by the Government, the public was notified, through Imperial Ordinance No. LIX, of August, 1888 (21st year of Meiji), of the introduction of amendments in the Convertible Bank Note Regulations. These amendments run as follows:—

Imperial Ordinance No. LIX of the 1st day of August of the 21st year of Meiji (1888).

Art. II. The Bank of Japan shall keep gold or silver coins, or bullion of those metals, as a conversion reserve, equal in amount to the amount of the convertible bank notes issued.

The Bank of Japan may, outside the provisions of the preceding paragraph, further issue convertible bank notes, on the security of Government bonds or Treasury bills, or other bonds and commercial bills of a reliable nature, within the limit of 70 million yen. Of this amount, however, 27 millions shall be set apart to be issued after the 1st day of January, 22nd year of Meiji (1889), in installment, from time to time, in proportion to the amount of the national bank notes redeemed.

The Bank of Japan may, outside of the provisions of the two preceding paragraphs, make still further an issue of convertible bank notes, in order to meet some special emergency of the market, and with the special permission of the Minister of Finance, on the security of Government bonds or Treasury bills, or other bonds and commercial bills of a reliable nature. The notes

shall be subject to a special tax, of not less than 5 per cent. per annum; the rate of interest to be fixed in each case by the Minister of Finance.

The Bank of Japan shall supply by way of loan not more than 22 million yen to the Government, at the interest of 2 per cent. per annum, for the purpose of redeeming of the Government paper money. The loan shall be without interest after the 31st year of Meiji (1898). The period of time within which this loan shall be repaid by the Government and the rate of annual installment, shall be fixed by the Minister of Finance.

Art. VIII. The Bank of Japan shall prepare tables showing the amount of convertible bank notes issued and the condition of the specie reserve, for each day of the week as well as the average for the week, and report them to the Minister of Finance; the tables of weekly averages shall be published in the Official Gazette.

In March 1890, the Government adopted the plan of setting apart as a redemption reserve a sum of 10 millions, out of the reserve fund, in order to accomplish the entire withdrawal of the Government paper money. By Law No. XXIV of March 27th, 1890 (23rd year of *Meiji*), the Government published the Rules for the Special *Comptabilité* of the Fund for the Redemption of Paper Money. These Rules ran as follows:—

Law No. XXIV of the 27th day of March of the 23rd year of Meiji (1890).

Rules for the Special Comptabilité of the Fund for the Redemption of Paper Money.

Art. I. In order to retire the Government paper money hitherto issued, by a gradual process of redemption, it is hereby decreed to create a fund for the redemption of paper money.

Art. II. The ten millions *yen* now in the reserve fund of the Government shall be set apart as the Fund for the Redemption of Paper Money.

Art. III. The Comptabilité of the Fund for the Redemption of Paper Money shall be made special, and kept separate from the general account of incomes and expenditures of the Government.

Art. IV. At the close of each fiscal year that part of the Fund unexpended for exchange with the Government paper money, and remaining over, shall be transferred to the next year's account.

V. The rules respecting the receipt and dishussement of the

Art. V. The rules respecting the receipt and disbursement of the Fund for the Redemption of Paper Money shall be determined by Imperial Ordinance.

Art. VI. This law shall go into effect on the 1st day of April of the 23rd year of Meiji (1890).

About this time the country was making remarkable industrial progress, and as a consequence, suffering from the scarcity of currency and the stringency of the money market. For this reason in May 1890, by Law No. XXXIV, the legal amount of notes to be issued on security by the Bank of Japan was enlarged; and in accordance therewith the following amendments were introduced in the Convertible Bank Note Regulations:—

Law No. XXXIV of the 16th day of May of the 23rd year of Meiji (1890).

"The 70 million yen" which occur in the second paragraph under Art. II of the Convertible Bank Note Regulations shall be replaced by "the 85 million yen."

The fourth paragraph under Art. II shall be amended so as to read as follows;

The Bank of Japan shall supply to the Government by way of loan not more than 22 millions *yen*, without interest, for the redemption of the Government paper money.

Immediately after the promulgation of this law, since now the time seemed to have arrived for the Government to obtain the loan from the Bank of Japan for the redemption of the Government paper money, as provided for by Imperial Ordinance No. LIX of 1888, the Minister of Finance (Count Matsukata) presented a memorandum, under the date of 23rd of May, to the Cabinet Council. The following is the text of the memorandum:—

Since the Government decided to reestablish a system of convertible paper money, making that policy known through Imperial Ordinance No. XIV of June of the 18th year of *Meiji* (1885), much success has attended the attempt at redemption. There now remain in circulation,

of the Government paper money, but 32 millions—the amount in circulation in May 1889—of 1-yen notes. It is much to be commended that the Government has strictly adhered to its policy of replacing the various kinds of paper money in circulation with one uniform system. It may now be said that the basis for the introduction of a convertible system has been securely laid: the 10 million yen of the Government reserve were devoted to the purpose of redemption; special rules were framed for the separate Comptabilité of this fund; and in a few months the fund will be all spent. The time has thus arrived for providing some fund for the redemption of the remaining 22 millions yen. This is indeed the time looked forward to by Imperial Ordinance No. LIX of 21st year of Meiji (1888), to obtain from the Bank of Japan the loan of a fund to be devoted to redemption. In this way will be finally accomplished the work of unifying the paper currency of the country, &c., &c.

Acting on the proposal contained in the above memorandum, the Government made by Law No. LVI of July, 1888, the addition of a clause to Art. II of the Rules for the Special *Comptabilité* of the Fund for the Redemption of Paper Money. The clause added runs as follows:—

The Government shall obtain a loan from the Bank of Japan, in amount not exceeding 22 millions *yen*, and transfer it to the account of the redemption fund mentioned above.

In these ways both the Government paper money and the national bank notes were all exchanged with the convertible silver notes of the Bank of Japan. As a result of thus replacing the inconvertible paper money with the convertible silver notes, Japan now became a *de facto* silver standard country.

Before concluding this section, we must give some particulars respecting the way the Government paper money and the national bank notes were finally disposed of. The entire amount that had been issued since 1868, (1st year of Meiji) was altogether yen 123,235,597.526, the particular items being as follows: from the 5th month of the 1st year of Meiji to the 5th month of the 5th year of Meiji (1872), the amount issued for making up the deficits in the Government revenue duing these years consisted, (1) of the notes issued by Daijokwan—48,000,000 yen, (2) of the notes issued by the Department of Interior—7,500,000 yen, (3)

of the Treasury Convertible Bills-6,800,000 yen, (4) of the Kaitakushi (Colonial Government of Hokkaido) Convertible Bills—2,500,000 yen, (total 6,480,000 yen); besides these there was the amount issued for the redemption of the notes in circulation of the old Han (Daimio) governments—yen 22,910,151. 148; from October of the 5th year of Meiji to April following, the amount issued for making up the deficits in the Government revenue—yen 8,525,444.84; that issued for defraying the expenses of subduing the South Western Rebellion-27,000,000 yen; and that issued for rounding up the figures in the Government account—yen 2.294. Now in regard to the redemption of these notes, the figures stand as follows: up to the end of March, 1889, (22nd year of Meiji), the amounts redeemed by the Government were as follows: the amount exchanged with Kinsatsu (literally gold notes) Exchange Bonds,—14,599,150 yen; that retired by the Government, -24,806,186 yen; that exchanged with silver coins in the reserve fund—yen 43,346,716. 10; that which was lost or withdrawn from circulation for being fraudulently altered,—yen 418,289,526; altogether making the sum of yen, 83,170,341.626. The amount in circulation at the end of March 1890 was, therefore, yen 40,065,255.90. Of this, 32 millions, consisting of denominations above 1-yen, are to be redeemed with the redemption fund as narrated in the preceding paragraph, and yen 8,065,255.90 are to be redeemed gradually by funds which are to be set aside from the general revenue of the Government. Now as the result of carrying out these schemes of redemption, there remained over at the end of March 1898, of denominations above 1-yen, -5,285,062 yen, of denominations below 1-yen,-yen 1,710,311.75. The former amount may now be redeemed at any time with the remainder of the fund borrowed from the Bank of Japan; and as to the fund needed to redeem the latter amount, it has now been all set apart at the close of the 31st fiscal year of Meiji (1898). The Government, therefore, introduced into the Imperial Diet in May, 1898, a bill for the entire retirement of the Government paper money. The Bill regularly passed the Diet and was promulgated as Law No. VI on the 11th of June, 1898 (31st year of Meiji).

Law No. VI of the 10th day of June of the 31st year of Meiji (1898).

The paper money issued by the Government shall cease to circulate on the 31st day of December of the 32nd year of Meiji.

In conclusion, let me describe the way in which the national bank notes were ultimately disposed of: 1st, as to the disposal of the notes of banks that have failed, the Government determined early in 1890 to keep a separate account of the fund set apart for the redemption of this class of bank notes. Accordingly on the 27th of May of that year, by Law No. XXV, the Government established regulations for the special *Comptabilité* of this fund. The following are the regulations thus ordained:—

Law No. XXV of the 27th day of March of the 23rd year of Meiji (1890).

Rules for the Special Comptabilité of the Fund for the Redemption of the Notes issued by National Banks which have failed.

- Art. I. The Comptabilité of the Fund for the Redemption of the Notes issued by National Banks that have failed, shall be made special, and kept separate from the general account of the incomes and expenditures of the Government.
- Art. II. At the close of each fiscal year that part of the Fund left unexpended for exchange with the notes of banks that have failed, shall be transferred to the next year's account.
- Art. III. The rules respecting the receipts and disbursements of this fund shall be ordained by Imperial Ordinance.
- Art. IV. This law shall go into effect on the 1st day of April of the 23rd year of Meiji (1890).

This law was amended in March, 1895, (28th year of *Meiji*), by Law No. XVI, by the addition of a new article, as follows:—

Law No. XVI of the 13th day of March of the 28th year of Meiji (1895).

After article IV of the Rules for the Special Comptabilité of the Fund for the Redemption of the Notes issued by the National Banks that have failed, shall be added the following clause:—

Art. V. This Law shall be applied to the Comptabilité of the fund for the redemption of the notes issued by national banks that have gone into dissolution in accordance with law, either by a voluntary act of their own, or through the expiration of their term of business.

Again in the following year, another amendment was introduced, as follows:—

Law No. XII of the 21st day of March of the 29th year of Meiji (1896).

To article V of the Rules concerning Special Comptabilité of the Fund for the Redemption of the Notes issued by National Banks that have failed, shall be added the following clause:—

"Or of banks that have gone into special settlement before the expiration of their term of business."

The entire amount of the bank notes which had been delivered over by the Government to the national banks was altogether 35,001,351 yen. These notes having been redeemed step by step, there remained at the close of 1895, 20,796,786 yen. The Government now introduced three bills in the Diet in January, 1896, regarding the national banks and the notes issued by them: in the first place, in view of the approaching expiration of the term of business of national banks, the Bill for the Settlement of National Banks on the Expiration of their Term of Business; then, in order to enable them to be reorganized into private banks before the expiration of their term of business, the Bill for the Special Settlement of National Banks before the Expiration of their Term of Business; then, again in order to make proper disposal of the notes issued by these banks, the Bill setting the Limits of Time for the Circulation and Exchange of National Bank Notes. These different bills, on passing the Diet, received the August Sanction and became laws, being promulgated as follows:-

Law No. VII of the 9th day March of the 29th year of Meiji (1896).

Concerning the Settlement of National Banks on the Expiration of their Term of Business.

Art. I. A national bank, which on the expiration of its term of business, desires to continue business as a private bank, shall in accordance with the provisions of Art. II of the National Bank Regulations, make proper resolutions in regard to its desire to continue business, make necessary revisions of its By-Laws, and, together with the copies of these resolutions and the revised By-Laws, the said bank shall present a petition to the Minister of Finance, for the renewal of its charter, three months previous to the expirations of its term.

Art. II. If a bank, thus desirous to continue in business, intends to do so with a reduced amount of capital, it shall first go through the required process according to the provisions of the National Bank Regulations, and then make petition in accordance with the provisions of Art. I of this law; the provisions of Art. XVII of the National Bank Regulations shall not be applied in the present case.

Art. III. Resolutions respecting the desire of a bank to continue in business and the revision of its By-Laws shall be made in accordance with the method of making special resolutions, as laid down in Art. LXIX of the National Bank Regulations.

Art. IV. The dissolution of a national bank which on the expiration of its term of business does not desire to continue in business shall take place according to the provisions of those articles of the Commercial Code relating to the dissolution and liquidation of joint stock companies.

Art. V. When on the expiration of the term of business, a national bank finds that it has not succeeded in entirely redeeming the notes issued by it, it shall pay over to the Government money equal in amount to the notes yet unredeemed.

When a national bank which intends to continue in business as a private bank, desires a loan of the money to be thus paid over to the Government, the Government may give order to the Bank of Japan to make such a loan without interest.

Art. VI. When the money has been paid over, as stated in the 1st paragraph of the preceding article, the Government shall restore to the bank the Government bonds which had been deposited as security for issuing notes.

Art. VII. The Government shall turn the money which is thus paid over by national banks, into a fund for the redemption of paper money, and take steps to redeem the national bank notes.

When a National Bank does not pay over the money to cover its unredeemed notes, the Government shall sell the Government bonds placed as security in its custody, in order to realize a fund sufficient for redeeming those notes.

Law No. VIII of the 7th day of March of the 29th year of Meiji (1896).

- Art. I. The limit of time for the circulation of the national bank notes shall be the 9th day of December of the 32nd year of Meiji (1899).
- Art. II. Persons possessing national bank notes shall apply to the Government for the exchange of these notes, within five years, counting from the day after the expiration of the limit mentioned in the previous article. After the five years have elapsed holders of these notes must expect no compensation.
- Art. III. This Law shall not be applied in the case of notes of those national banks which closed their business either voluntarily in regular form or by order of the Government.

Law No. XI of the 21st day of March of the 29th year of Meiji (1896).

Concerning the Special Settlement of National Banks previous to the Expiration of their Term of Business.

- Art. I. A national bank may become, before the expiration of its term of business, a private bank and continue in its business.
- Art. II. Such national banks as are mentioned in the preceding article shall make proper resolutions in regard to their desire to become, before the expiration of their term of business, private banks and continue in business, and also in regard to the necessary revisions of their By-Laws, and shall make application for the renewal of their charters to the Minister of Finance, accompanying their applications with the copies of the revised By-Laws.
- Art. III. Resolutions respecting the desire of these banks to continue in business and the revisions of their By-Laws shall be made in accordance with the method of making special resolutions, as laid down in Art. LXIX of the National Bank Regulations.

Art. IV. When a national bank has obtained permission to become a private bank and to continue in business according to the provisions of Art. II, it shall notify that fact to all its creditors by letter, as well as publish it through newspapers or in other ways, and invite those creditors who may entertain objections against the change made by the bank, to enter their protest to the bank within three months.

When the period of three months is passed the creditors shall lose all right of entering such protests.

- Art. V. When creditors have declared their objections within three months, as provided for in Art. IV, the national bank shall pay its debts due to those creditors, together with the interest on them up to the day of payment.
- Art. VI. A national bank cannot become a private bank, until it has made all payments according to the provisions of Art. V, and until the term of three months as provided for by Art. VI is passed.
- Art. VII. When a creditor, owing to ignorance for which he is not responsible, does not enter protest within three months and yet makes demand for the payment of his loan, the bank shall pay that debt as provided for in Art. V though the term of loan may not have expired.
- Art. VIII. The provisions of Articles II and V of the Law concerning the Settlement of National Banks on the Expiration of their Term of Business, shall apply to those national banks which become private banks, before the expiration of the term of business.
- Art. IX. The provisions of Articles VI and VII of the Law concerning the Settlement of National Banks on the Expiration of their Term of Business, shall apply to the ease of redemption of the notes issued by national banks that have become private banks before the expiration of their term of business.

In these ways the final disposal has been made of the Government paper money and of the national bank notes.

TABLE XIV.

AMOUNT OF GOVERNMENT PAPER MONEY ISSUED AND REDEEMED

From 1882 to 1898.

(The figures show the returns at the end of each year).

Years Amount issued		Amount redeemed	Balance, in actual circulation	Amount tempo- rarily issued out of the paper money reserve	Total amount of the government paper in circulation	
A.D. 1882	Meiji 15th	yen	yen	yen	yen	yen
		0	536,180 750	105,369,014 232	4,000,000 000	109,369,014 232
1883	16th	0	7,369,736 800	97,999,277 432	0	97,999,277 432
1884	17th	0	4,619,043 800	93,380,233 632	0	93,380,233 632
1885	18th	0	5,035,137,400	88,345,096 232	0	88,345,096 232
1886	19th	0	20,544,257 500	67,800,838 732	0	67,800,838 732
1887	20th .	0	11,985,794 300	55,815,044 432	0	55,815,044 432
1888	21st	0	9,080,311 250	46,734,733 182	0	46,734,733 182
1889	22nd	0	5,543,802,600	41,190,930 582	0	41,190,930,582
1890	23rd	0,018	7,918,216,000	33,272,714 600	0	33,272,714,600
1891	24th	0	5,385,993 500	27,886,721 100	0	27,886,721 100
1892	25th	0	7,058,476,350	20,828,244 750	0	20,828,244 750
1893	26th	0	4,421,244,500	16,407,000 250	0	16,407,000,250
1894	27th	0	3,002,453 000	13,404,547 250	0	13,404,547 250
1895	28th	0	2,275,323 000	11,129,224 250	0	11,129,224 250
1896	29th	0	1,753,052 500	9,376,171,750	0	9,376,171 750
1897	30th	0	1,925,073,500	7,451,098 250	0	7,451,098,250
1898	31st	0	2,039,371 900	5,411,726 350	0	5,411,726 350
To	tal	0 018	100,493,468 650			
Total 1868 t		123,235,597,526	117,823,871 176		1	

Notes:-

1. Particular Items in the amount redeemed.

atticular from in the smooth reaconica.	4/en
Exchanged for Paper-Money-Exchange Bond Withdrawn from circulation through redemption by	14,599,150.000
the Sinking Fund	24,806,186.000
Exchanged with silver coins in the Reserve Fund .	43,346,716.100
Withdrawn from circulation on account of fraudulent	
alterations	4,876.025
Counted as withdrawn from circulation on account of	
their not being brought in for exchange before the	
expiration of the period allowed for exchange after	
their circulation had been prohibited	773,242.225
Exchanged at half price, &c	115.426
Redeemed by the Paper Money Redemption Fund	
under special Comptabilité	34,293,585.400
Total	and the cooperation of the co
The small amount issued in 1879 (12th year of Meiii)	

 The small amount issued in 1879 (12th year of Meiji) (See Table VI) wa issued in exchange for the notes of the Han governments.

3. The sum marked with * under 1876 (9th year of Meiji), in Table VI adjoined to the previous section is to be added to the sum issued for that year, in order to get the sum for the balance in circulation that year. This sum yen 1,529,725. 025 had to be thus put down in the Table (VI), in order to adjust the sum put down as withdrawn for the previous year, which was found to be too large, on account of the fact that, while the entire amount of the paper money which was prohibited to circulate during the 8th year of Meiji was regarded as so much withdrawn from circulation and deducted from the amount in circulation; yet, as a matter of fact, the amount of the prohibited paper money did not mean

so much withdrawn from circulation, since the Government decided in the 9th year of Meiji, to put in circulation a portion of the new paper money, in place of the same amount of the prohibited notes. Thus practically the actual amount of paper money in circulation did not get reduced by exactly this amount, which is the sum marked * in Table VI.

4. Tables VI and XIV are based on the estimates made by the Public Debt Section. The figures for the years 1868 to 1872 inclusive, have been revised by referring to the "Account of the Adjustment of Paper Currency".

5. The figures for the outstanding amount of the paper money temporarily issued out of the paper money reserve have been taken from the "Account of the Adjustment of Paper Currency".

TABLE XV.

AMOUNT OF NATIONAL BANK NOTES ISSUED AND REDEEMED

From 1882 to September 1897.

(Figures are those at the end of each year except for 1897).

Y	Years Amount issued		Amount redeemed	Balance, in circulating		
A.D. 1882	Meiji 15 th	yen	11,469,000	34,385,349 000		
1883	16 th	0	109,613 500	34,275,735,500		
1884	17 th	0	3,259,793 500	31,015,942,000		
1885	18th	0	860,553 000	30,155,389 000		
1886	19 th	0	653,904 500	29,501,484 500		
1887	20th	0	897,351 000	28,604,133 500		
1888	21st	0	924,477 000	27,679,656 500		
1889	22nd	0	940,451 000	26,739,205,500		
1890	23rd	0	928,485 000	25,810,720 500		
1891	24 th	0	941,212 000	24,869,508 500		
1892	25 th	0	978,999 000	23,890,509 500		
1893	26 th	0	1,134,391,000	22,756,118 500		
1894	27th	0	974,322 000	21,781,796 500		
1895	28th	0	985,010 500	20,796,786 000		
1896	29th	0	4,298,897 000	16,497,889 000		
1897	30^{th}	0	10,354,897,000	6,142,992 000		

TABLE XVI.

AMOUNT OF GOVERNMENT PAPER MONEY AND BANK NOTES IN CIRCULATION AND OF THE SPECIE RESERVE

From 1882 to September 1897.

(Figures are those at the end of each year except for 1897).

Years		Government-paper	Bank notes	Total	Specie reserve
A.D. 1882	Meiji 15 th	109,369,014 232	34,385,349 000	yen 143,754,363 232	yen 16,730,267 809
1883	16^{th}	97,999,277 432	34,275,735 500	132,275,012 932	25,876,230 373
1884 1885	17 th 18 th	93,380,233 632	31,015,942 000	124,396,175 632	33,569,188 107
1886	19 th	88,345,096 232 67,800,838 732	30,155,389 000 29,501,484 500	118,500,485 232 97,302,323 232	42,265,640 540 25,865,864 215

Ye	ars	Government-paper	Bank notes	Total	Specie reserve		
A.D. 1887	Meiji 20 th	55,815,044 433	28,604,133 500	84,419,177932	19,790,388 914		
1888	21st	46,784,788 182	27,679,656 500	74,414,389682	8,150,822,027		
1889	22nd	41,190,582 582	26,739,205 500	67,929,788 082	10,709,953 778		
1890	23rd	33,272,714 600	25,810,720 500	59,083,435 100	25,000,000 000		
1891	24^{th}	27,886,721 100	24,869,508,500	52,756,229 600	20,500,000 000		
1892	$25^{\rm th}$	20,828,244 750	23,890,509 500	44,718,754 250	15,000,000 000		
1893	54kp	16,407,000 250	22,756,118 500	39,163,118,750	12,000,000 000		
1894	$27^{\rm th}$	13,404,547 250	21,781,796 500	35,186,343 750	9,000,000 000		
1895	28th	11,129,224 250	20,796,786 000	31,926,010 250	8,000,000 000		
1896	29th	9,376,171 750	16,497,889,000	25,874,060,750	7,365,000 000		
1897	$30^{\rm th}$	7,957,997 250	6,142,992 000	14,100,989 250	6,965,000 000		

Note:

The figures showing the amount of the specie reserve for years up to 1889 (22nd year of *Meiji*) have been taken from the "Account of the Adjustment of Paper Currency", and those for years after 1890 (23rd year of *Meiji*) are based on the researches of the Public Debt Section.

TABLE XVII.

SHOWING THE TOTAL AMOUNT OF CONVERTIBLE BANK NOTES AND OF THE SPECIE RESERVE

From May 1885 to September 1897.

(Figures are the returns at the end of each year except for 1897).

Yes	ars	Amount of convertible bank notes issued	Amount of the specie reserve
A.D.	Meiji	yen	yen
1885	18 th	3,956,161	3,311,461
1886	19th	39,549,815	23,855,237.30
1887	20th	53,454,803	31,579,904.20
1888	21st	65,770,580	45,022,871
1889	22nd	79,108,652	57,409,299
1890	23rd	102,931,766	44,622,413
1891	24th	115,784,545	63,178,333
1892	25 th	125,843,363	51,158,265
1893	26th	148,663,128	85,928,516
1894	27 th	149,813,700	81,718,291
1895	28th	180,336,815	60,370,797
1896	29th	198,313,896	132,730,192
September 1897	3() th	197,248,776	94,941,078

TABLE XVIII.

AVERAGE MONTHLY PRICE OF PAPER MONEY COMPARED WITH BOTH GOLD AND SILVER

From 1882 to 1886.

Da	ites	Compared with 1-yen gold Comp	pared with 1-yen silve
1882		Чен	yen
(15th year of Meiji)	January	1 857	1 700
	February	1 779	1 650
	March	1 678	1 558
	April	1 662	1 542
	May	1 685	1 550
	June	1 045	1 560
	July	1 077	1 567
	August	1.776	1 65:
	September	1.730	1 611
	October	1 705	1 580
	November	1 600	1 478
	December	1 502	1 398
	Average	1 600	1 571
1883	Ü		
(16th year of Meiji)	January	1 471	1 32
	February	1 558	1 4().
	March	1 554	1 40
	April	1 507	1 36
	May	1 476	1 33
	June	1 468	1 32
	July	1 387	1 25
	August	1 344	1 21
,	September	1 317	1 19
	October	1 263	1 15
,	November	1 185	1 09
	December	1 200	1 11
	Average	1 394	1 26
1884			
(17th year of Meiji)	January	1 196	1 10
	February	1. 266	1 15
	March	1 251	1 13
	April	1 207	1 09
	May	1 199	1 09
	June	1 168	1 06
	July	1 150	1 04
	August	1 150	1 04
	September	1 150	1 04
	October	1 169	1 06
	November	1 176	1 06
	December	1 291	1 15
		1 198	1 08
	Average	1 190	1 00

Da	ites	Compared with 1-ye	n gold Compa	red with 1-yens	silve
1885		yen			
(18th year of Meiji)	January		321	1	171
	February		358		198
	March		357		180
	April		262		068
	May	i i	154		016
	June		151		00:
	July		151		00.
	August		144		00:
	September		158		00
	October		181		00'
	November		181		00:
	December		198		00
1886	Average		218		05
(19th year of Meiji)	January	1	213	1	000
	February		225		00
	March		224		00
	April		223		00
	May		225		00
	June		226		00
	July	1			00
	August	1	305		000
	September		314		00
	October		262		00
	November		242		004
	December		257		00
	Average		246		00

Notes :-

- This table is the continuation of Table IX adjoined to the previous section.
 After 1886 (19th year of Meiji) the paper came to be on a par with silver, hence the table is not continued further.

TABLE XIX.

THE RATE OF INTEREST IN TOKYO SINCE THE 15TH YEAR OF MEIJI (1882).

Dates	Highest	Lowest	Average	Dates	Highest	Lowest	Average
1882 (15 th Meiji)	per cent.	per cent.	per cent.	1882 (15 th Meiji)	per cent.	per cent.	per cent.
January	12.00	11.70	11.85	July	9.60	7.20	8.40
February	13.00	10.80	11.90	August	9.90	8.50	9.20
March	12.00	9.00	10.50	September	10.80	9.90	10.35
April	12.00	9.00	10.50	October	10.80	10.00	10.40
May	10.00	8.10	9.05	November	10.80	9.90	10.35
June	9.60	7.20	8.40	December	10.80	9.80	10.30

Dates	Highest	Lowest	Average	Dates	Highest	Lowest	Average
1883 (16 th Meiji)	per cent.	per cent.	per cent.	1886 (19th Meiji)	per cent.	per cent.	per cent.
January	9,00	8.30	8.65	July	10.50	7.20	8.85
February	8.60	7.20	7.90	August	10.00	7.20	8.60
March	8.30	7.20	7.75	September	9.30	7.60	8.45
April	7.20	7.00	7.10	October	10,40	8.60	9.50
May	7.20	7.00	7.10	November	10.50	8.60	9.55
June	7.20	7.20	7.20	December	9.95	7.39	8.67
July	7.20	6.80	7.00	1887 (20th Meiji)			
August	7.80	7.20	7.50	January	8.60	7.13	7.87
September	7.80	7.20	7.50		9.03	7.31	8.17
October	7.80	7.20	7.50	March	9.25	7.65	8.45
November	7.20	7.20	7.20	A pril	10.30	8.20	9.25
December	9.08	8.40	8.74	May	10.00	7.20	8.60
1884 (17th Meiji)				June	9.34	7.48	8.41
January	10.80	10.00	10.40	July	9.30	7.20	8.25
February	10.80	10.00	10.40	~	10.00	7.20	8.60
March	11.60	9.30	10.45	September	10.10	7.50	8.80
April	11.60	9.30	10.45	October	10.00	8.00	9.00
May	12.00	10.00	11.00	November	11.00	8.30	9.65
June	10.40	10.25	10.33	December	11.00	8.60	9.80
July	10.40	10.25	10.33	1888 (21st Meiji)			
August	10.90	10.40	10.65	January	10.80	8.30	9.55
September	10.80	10.50	10.65	February	10.80	8.00	9.40
October	10.70	10.50	10.60	March	10.00	8.00	9.00
November	12.50	12.00	12.25	April	10.80	8.00	9.40
December	15.00	12.00	13.50	May	10.80	8.00	9.40
1885 (18th Meiji)				June	10.80	8.00	9.40
January	16.50	14.00	15.25	July	10.80	8.00	9.40
February	15.00	13.00	14.00	August	10.80	8.00	9.40
March	12.00	10.80	11.40	September	12.00	9.00	10.50
April	10.80	10.00	10.40	October	12.00	9.00	10.50
May	12.00	10.00	11.00	November	12.00	9.00	10.50
June	12.00	10.00	11.00	December	11.00	8.00	9.50
July	12.00	10.00	11.00	1889(22nd Meiji)			
August	10.80	10.00	10.40	January	10.80	8.00	9.40
September	10.80	10.40	10.60	February	10.80	8.80	9.80
October	10.70	10.40	10.55	March	10.80	8.00	9.40
November	10.80	10.50	10.65	April	11.00	8.00	9.50
December	10.40	10.20	10.30	May	11.00	9.00	10.00
1886 (19 th Meiji)				June	12.00	9.00	10.50
January	9.90	9.50	9.70		11.00	9.30	10.50
February	10.40	10.40	10.40	August			
March	9.50	9.50	9.50	September	11.20	9.10	10.15
April	9.50	8.75	9.25	October	11.70	10.00	10.85
May	10.00	8.50	9.25	November	11.42	10.00	10.71
June					11.53	10.08	10.81
June	9.46	7.06	8.26	December	11.53	10.08	10.81

Dates	Highest	Lowest	Average	Dates	Highest	Lowest	Average
1890 (23 rd Meiji)	per cent.	per cent.	per cent.	1893 (26 th Meiji)	per cent.	per cent.	per cen
January	11.84	10.20	11.02	July	7.25	5.79	6.40
February	12.15	10.65	11.40	August	7.41	5.66	6.40
March	11.63	10.60	11.12	September	7.36	6.53	6.92
April	11.58	9.97	10.77	October	8.49	6.55	7.22
May	11.58	9.63	10.60	November	8.10	6.86	7.42
June	10.94	9.02	9.98	December	9.26	7,55	8.06
July	11.15	9.24	10.19	1894 (27th Meiji)			
August	11.02	9.34	10.18	January	9.36	7.77	8.4
September	10.70	9.40	10.05	February	9.42	7.92	8.5
October	11.30	9.25	10.28	March	9.34	7.95	8.6
November	11.00	9.40	10.20	April	9.50	8.22	8.7
December	11.40	9.02	10.21	May	9.51	8.14	8.7
1891 (24 th Meiji)		0102	20002	June	9.76	8.43	9.1
January	10.90	8,98	9.94	July	10.32	8.90	9.7
February	10.80	9.61	10.20		10.52	9.23	10.0
March	10.90	8.90	9.90	August	10.77		10.0
				September	10.62	9.84 9.18	9.8
April	11.10	9.24	10.17	October			
May	10.55	8.72	9.64	November	10.47	9.29	9.9
June	10.44	8.61	9.52		10.82	9.20	9.9
July	10.04	8.05	9.05	1895 (28th Meiji)			
August	8.50	7.81	8.21	January	10.68	9.38	9.9
September	9.60	8.23	8.87	February	10.62	9.33	10.0
October	9.77	8.17	8.78	March	10.50	9.31	9.9
November	9.96	8.07	8.91	April	10.57	9.33	10.0
December	9.67	7.81	8,80	May	10.69	9.30	9,9
$1892 (25^{\mathrm{th}} Meiji)$				June	10.64	9.35	9.6
January	9.08	7.87	8.72	July	10.48	9.20	9,8
February	9.04	7.88	8.69	August	10.15	8.73	9,4
March	9.05	7.74	8.45	September	9,88	8.73	9.2
April	8.95	7.90	8.42	October	9.80	8.48	9.0
May	9.18	7.75	8.25	November	9.68	8.45	9.0
June	9.06	7.68	8.37	December	9.91	8.51	9.1
July	8.95	7.72	8.28	1896 (29th Meiji)			
August	8.91	7.41	8.21	January	9.97	8.50	9.1
September	8.98	7.78	8.36	February	9.97	8.51	9.1
October	8.95	7.69	8.28	March	9.81	8.44	9.0
November	8.99	7.66	8.33	April	9.83	8.45	8.9
December	9.03	7.37	8.10	May	9.61	8.34	8.8
1893 (26 th Meiji)				June	9.60	8.31	8.9
January	9.09	7.74	8.22	July	9.53	8.40	8.9
February 1		7.40	7.92	August	9.78	8.76	8.9
	8.35		7.39	September	10.07	8.83	9.4
March	8.52	6.74	7.35	October	10.51	9.16	9,8
April	8.18	6.68		November	10.40	9.16	9.8
May	7.49	6.20	6.80				10.0
June	6.97	5.65	6.20	December	10.66	9.42	10.0

Dates	Highest	Lowest	Average	Dates	Highest	Lowest	Average
1897 (30 th Meiji)	per cent.	per cent.	per cent.	1898 (31st Meiji)	per cent.	per cent.	per cent.
January	10.62	9.49	10.04	July	12.08	11.02	11.32
February	10.55	9.31	9.96	August	12.01	10.99	11.46
March	10.18	9.38	9.67	September	11.97	11.02	11.46
April	10.51	9.45	10.00	October	11.75	10.69	11.32
May	10.73	9.64	10.22	November	11.68	10.59	11.13
June	10.66	9.45	10.07	December	11.21	10.04	10.59
July	10.66	9.67	10.26	1899(32nd Meiji)			
August	10.84	9.38	10.07	January	10.69	9.75	10.26
September	10.95	9.71	10.11	February	10.51	9.42	10.04
October	10.95	9.49	10.22	March	_ :		_
November	11.90	10.22	10.69	April		direction (-
December	11.90	10.44	10.80	May			_
1898 (31st Meiji)				June		_ ,	
January	11.42	10.51	10.91	July	;	_	_
February	11.50	10.59	10.99	August	namental .	_	
March	11.85	10.88	11.32	September	_		_
April	12.01	11.13	11.50	October	no-man	_	
May	11.94	11.13	11.75	November			
June	12.19	11.17	11.68	December	_	_	_

Note:—

The figures are based on the researches of the Tokyo Bankers' Association, and the rates of interest are those on loans above 1,000 yen and below 10,000 yen.

TABLE XX. WHOLESALE PRICES IN TOKYO From 1882 to 1898.

enibras beird 2941) 2012 (selection) 2013 (selection) 2013 (selection)	yen 2.381	1.789	1,899	1.538	1,445	2.278	2,041	2,174	2.375	2,283	2,336	2.890	2,303	2.566	8,492	3,172	3,802
Drivel sardines (obsequence)	yen 3.968	2,165	1.701	1,639	2.183	8.878	3.021	8.311	3.378	3,937	3,846	3,448	3,832	3,448	4.728	4.255	5.790
('harconl') (middlegan lo) por 10 Helo	yen 3.226	2.141	1.724	1.724	1,895	1,818	2.028	1.808	2.258	2.892	2.564	2.864	2,500	3.080	8.230	3,700	3,210
Fire-wood	yen 2.439	1.851	1,493	1,429	1.020	1.220	1.111	1,168	1.190	1,163	1.266	1.299	1.240	1,448	1.475	1.731	1.695
Floor-mut (1st grade per 10 Figures	yen 3,500	2.900	2,650	2.600	2.280	2,180	2.340	2.430	2.280	8,000	2.700	3,121	3,195	4,158	4,442	4.183	4.350
We od wox	yen 1.176	0.877	1.149	1.220	1.058	0.990	1.010	0.926	0.833	0.800	0.794	0.855	0,875	0.855	1.241	1.191	1,132
Ser-lit notio)	yen 2.212	1.299	1.217	1,418	1.269	1,256	1,106	1,532	1.416	1.258	1,361	1,375	1.380	1,450	1.630	1.670	1.550
715;) 001 19q	yen 9,300	10,660	5,410	5,460	5.920	6.100	7.200	0.700	5.760	5.800	5,400	5.650	7.755	7.298	7.425	8.167	8.508
Tront standard (Japanere James James James 1994)	yen 6.415	4.848	3.249	3,172	2.500	3,438	4.187	3,938	3.750	3.500	3,700	3.850	4.934	4.628	4.871	4.821	5.154
Tople 1001 14th	33.346	29,541	21.136	18.672	17.550	15.840	25,050	20,400	18.350	18,500	17.830	20.260	22,361	24.972	27,005	29,775	30,317
RoT (cloud slid m) nunk I rod	yen 2.730	1.810	1,500	1.600	1.550	1.500	1.500	1,420	1.500	1.600	1.730	1.800	1.878	1,885	1.732	1,921	2.085
(40m 900) (10m 900) (10m 900)	yen 1.769	1.538	1.176	1.389	1.250	1.220	1.154	1.242	1.626	1.587	1,575	1,533	1.400	1.550	2.058	2.138	2.385
fled (onde) out of rod	yen 4,808	3.802	2.809	3,424	2.817	2,625	2,898	4,348	3,774	3,448	3.279	2.900	2.640	3.000	5.300	7.560	5.970
Unbusked rice (middle grade) van't rog	yen 8.810	6,309	5.288	6.609	5.990	4.940	5,025	5.090	8.940	7,030	7.240	7.580	8,834	8,883	9,650	11.977	14.799
Years		3th 3,9)	7th ,,)	Sth ,,)	9th ,,)	0th ,,)	Lst 1,)	2nd ,,)	3rd ,,)	4th ,,)	5th ,,)	.6th ,,)	7th 33)	Sth ,,)	10 to	0th ,,)	31st ,,)
Ye	1882 (18	1883 (16 th	1884 (17 th	1885 (18 th	1886 (19 th	1887 (20th	1888 (21%	1889 (22nd	1890 (23rd	1891 (24th	1892 (25 th	1893 (26th	1894 (27 th	1895 (28 th	1896 (29th	, 1897 (30th	1898 (31st

Notes:—

For explanations of the Japanese measures used in the table see note to Table XI, adjoined to the preceding section. The figures on the table are based on the report of the "Coinage Investigation Commission".

TABLE XXI.

SHOWING THE IMPORT AND EXPORT OF SPECIE SINCE 1882 (15th year of Meija)

Figures marked thus * show the excess of the Import over the Export.

ort	nce	yen 0,527	4,986	6,687	3,290,396	154,574	2,164,222	899,047	4,716	7,995	205,5	4,004	2,701	5,458	3,585	5,35.4	1,549	9,700
und Exp	Balance	* 1,73	* 2,29	, k	* 3,29				86,8 *	12,57	*12,43	*13,15	1,10	7,50	21,42	×27,54	x(69,24	41,42
Balance between Import and Export	Silver	yen yen yen yen yen 1,250,585 * 2,981,062 * 1,730,527	086,462,5 * 746,308,8 * 110,600,1	1,121,452 * 1,731,139 * 606,68	116,177 * 3,174,219 *	1,911,500	8,537,518	752,968 * 146,079 *	481,914 * 8,502,802 * 8,984,716	11,250,561	52,698 *12,382,864 *12,435,562	8,149,030 021,808,034 *13,154,000	1,805,948 7 708,247 1,102,701	4,601,286 7,595,458	1,762,040 19,665,495 21,427,585	19,822,449	6,797,854	35,170,104
Balance bety	Gold	yen 1,250,535 *	* 110,600,1	1,124,452*		856,996				1,327,361 11,250,561 12,577,925	52,698 *	8,149,030	1,805,948	2,991 172	1,762,040	× 288,022,8	55,449,695 %	9,253,596
	Total	yen 10,590,921	8,608,066	10,616,831	7,546,841 1,101,449 10,701,837 11,803,286 *	8,012,405 9,171,873 1,462,010 17,336,310 18,738,320*	1,259,527 7,611,739 8,871,266 1,345,763 18,560,991 19,906,754* 1,173,291	1,203,252 7,529,239 8,732,491 1,655,536 14,912,399 16,565,935*	1,017,994 18,849,849 19,961,776*	14,979,139	\$15,590 14,827,900 15,811,490 *	32,613,510	23,475,675	61,162,764	82,175,863	4.996,576 9,602,308 11,588,884 10,217,482 28,921,120 39,142,208 15,11,00 35,007,00 35,007,18,082 35,715,00 4,000 35,000,00	8,863,798 10,355,366 19,219,163 64,313,493 17,153,220 81,466,713 73,177,249 276,586 100,685,77 ×55,449,648 × 6,747,848 × 62,22,247,649	202,155(92)
Total	Silver	G,160,724 1,251,535 9,339,386 10,590,921	5,451,501 1,010,129 7,597,937 8,608,066	1,722,856 8,893,875 10,616,831	10,701,837	17,336,310	18,560,991	14,912,399	18,343,842	2,047,848 12,931,291 14,979,139	14,827,900	8,940,016 23,673,491 32,613,510	2,799,408 20,676,267 28,475,675	555,066 25,227,687 26,783,658 4,103,104 57,059,660 61,162,764	2,791,952 24,509,747 27,301,699 1,029,912 4,844,252 5,874,161 3,821,864 29,353,999 32,175,863	88,627,058	27,508,586	46,212,160
The second secon	Gold	yen 1,251,535	1,010,129	1,722,856	1,101,449	1,462,010	1,545,763	1,655,536						4,103,104	3,821,864	12,211,031	73,177,291	83,309,102
	Total			5,611,759,		9,171,873	8,871,266	8,732,491	749,924 18,428,322 14,173,246	360,242 840,365 1,200,607	282,144 13,605,382 13,888,526	805,408 22,488,264 22,883,757	496,780 10,689,757 11,186,487	26,783,653	5,874,161	89,142,208	81,466,713	42,563,781
Import	Silver	yen 6,160,224	5,450,942	5,312,557	6,938,028	8,012,405	7,611,739	7,529,239	18,423,322	8.10,365	13,605,382	22,488,264	10,689,757	23,227,687	4,844,252	28,921,750	17,153,220	5,596,028
	Gold	yen 500	550	200,202	608,813	1,159,468	1,259,527	1,203,252	749,924	360,245	283,144	395,493	496,750	555,966	1,029,912	10,217,458	64,818,498	87,027,758
	Total	yen 4,430,197	3,156,565	5,005,072	4,256,445	9,626,447	11,035,488	7,833,444	5,188,530	13,778,532	1,452,964	9,729,753	12,289,188	34,379,111	27,301,699	11,598,884	19,219,168	86,987,481
Export	Silver	3,179,162	2,146,995	3,581,418	,636 3,763,809	,542 9,823,905 9,626,447	86,286 10,949,252 11,035,488	450,284 7,383,160 7,833,444	,010 4,920,520 5,188,530	1,687,606 12,090,926 18,778,532	230,446 1,222,518 1,452,964	,523 1,185,230 9,729,753	2,802,678 9,986,510 12,289,188	3,547,138 30,831,973 34,379,111	24,509,747	9,602,308	10,355,366	40,706,132
	Gold	yen	1,009,570	1,423,654	492,636	302,542	86,236	450,284	268,010	1,687,606	230,446	8,544,523	2,802,678	3,547,138	2,791,952	1,996,576	8,863,798	46,381,349 40,706,132 86,987,481 37,027,753 5,530,038 42,503,781 83,809,102 46,912,100 126,554,302 9,353,596 35,170,104 44,423,700
	_	leiji,	")	., (,,)	(,,	((((,,	("	,,)	,,),		33)	,,,	99)	,,)	
2.00	ears	15th A	(16th	17th	18th	19th	(20th	(21st	22nd	28rd	24th	25th	26th	27th	28th	29th		
		1882	1883 (16th	1884 (17th	1885 (18th	1886 (19 th	1887 (20th	1888 (21st	1889 (22nd	1890 (23rd	1891 (24 th	1892 (25th	1893 (26th	1894 (27 th	1895 (28th	1896 (29 th	1897 (30th	1898 (31st

Notes:

Figures for years before 1887 (20th year of Moji) are estimated, the figures for gold in gold year, and those for silver in silver year, while the figures since then tid September 1887 (30th year of Meiji), both gold and silver figures are estimated in terms of silver year. The figures after the latter date are estimated in new gold yen.

The figures for years before 1871 (4th year of Meiji) is not known.

The reason for the remarkable increase of the export of specie in 1890 (23rd year of Meiji) lies in the greatly increased import of rice in that year (see next table). oi 65

TABLE XXII.

SHOWING THE EXPORTS AND IMPORTS OF COMMODITIES

From 1882 to 1898.

Figures marked thus * show the excess of the import over the export.

Years	Exports	Imports	Total	Balance
7000 (15th 35.22)	yen	yen	yen	yen
1882 (15 th Meiji)	37,721,751	29,446,594	67,168,345	8,275,157
1883 (16 th ,,)	36,268,020	28,444,842	64,712,862	7,823,178
1884 (17 th ,,)	33,871,466	29,672,647	63,544,113	4,198,819
1885 (18 th ,,)	37,146,691	29,356,968	66,503,659	7,789,723
1886 (19 th ,,)	48,876,313	32,168,432	81,044,745	16,707,881
1887 (20 th ,,)	52,407,681	44,304,252	96,711,933	8,103,429
1888 (21st ,,)	65,705,510	65,455,234	131,160,744	250,276
1889 (22 nd ,,)	70,060,706	66,103,767	136,164,473	2,956,939
1890 (23rd ,,)	56,603,506	81,728,581	138,332,087	* 25,125,075
1891 (24th ,,)	79,527,272	62,927,268	142,454,540	16,600,004
1892 (25 th ,,)	91,102,754	71,326,080	162,428,834	19,776,674
1893 (26 th ,,)	89,712,865	88,257,172	177,970,037	1,455,693
1894 (27 th ,,)	113,246,086	117,481,955	230,728,041	* 4,235,869
1895 (28th ,,)	136,112,178	129,260,578	265,872,756	6,851,600
1896 (29 th ,,)	117,842,761	171,674,474	289,517,235	* 53,831,713
1897 (30 th ,,)	163,135,077	219,300,772	382,435,849	* 56,165,695
1898 (31st ,,)	165,753,753	277,502,157	443,255,910	* 111,748,404

Notes:-

- Figures for years previous to 1887 (20th year of Meiji) are estimated promiscuously both in gold yen and silver yen, while those after 1888 (21st year of Meiji) are estimated solely in silver yen.
- 2. The greatly increased import for the year 1890 is due to the increased import of rice, on account of the scarcity of the rice crop.



SECTION IV.

The Reserve Fund and the adjustment of Paper Currency.

As already stated in the preceding section, the course adopted by the Finance Minister, Count Matsukata, for the adjustment of disorders connected with paper money was to retire it by applying directly the yearly surplus of revenue to this end, and to further pave the way toward the resumption of specie payment by accumulating specie through the utilization of the Reserve Fund.

The total amount of paper money retired in the 11th fiscal year of Meiji (1878) was 7,166,186 yen; in the 12th and 13th fiscal years (1879 and 1880) 2,000,000 yen each; from the 14th fiscal year to the 15th, 13,640,000 yen altogether; making the total in these six years of 24,806,186 yen, retired by the direct application of the yearly surplus of revenue. During the 17th fiscal year of Meiji (1884), the paper money nearly recovered its par value with silver; standing in July—the first month of the fiscal year—at the ratio of 1.047 yen paper money to 1 yen silver. By that time, too, the amount of paper money in circulation having been considerably diminished, the direct application of yearly surplus of revenue for its retirement was stopped; such surplus being thence-forward turned entirely into the Reserve Fund, to be employed for the purchase of specie. Having thus prefaced the present section, the remainder will be devoted to giving a general account of this Reserve Fund.

The Reserve Fund originated in gradually saving up the extraordinary incomes; such as were obtained from the sale of certain Government articles, which had become out of use. The idea of the Reserve Fund was first originated by the Government's learning through the trying financial experience of the first years of *Meiji*, the importance of laying by a fund during normal times, and also because there was the need of such a fund to enable the Government to resume specie payment. The regulations concerning the administration of the Reserve Fund were first established in 1872 (5th year of *Meiji*). It was indeed in June of the latter year, that the then Vice-Minister of Finance, Mr. Inouye Kaoru (now Count),

created the Treasury Reserve Fund, by appropriating eleven million three hundred and thirty odd thousand yen,—a total obtained by adding together eleven million two hundred and thirty odd thousand yen of specie and ninety-nine thousand and odd yen of paper money, which had been accumulating in the Government Treasury.

The following rules were established concerning this Reserve Fund:—

When for political and financial reasons paper money, bills, or Government bonds are issued, it is particularly important that the Department of Finance should save up specie as a reserve, and provide a method for its utilization in a definite and unequivocal manner, so as to give the necessary support to the policy of the Government in regard to the redemption of bills as well as the circulation of paper money and of Government bonds, etc.; and this is a matter of the greatest urgency to-day. For this reason it is now decided to make an appropriation of the amount of specie on hand in the Treasury, by separating them from the item of general expenditure, &c. in the General Comptabilité, to create for such appropriated fund a Separate Comptabilité, and utilize it either for the purchase of gold and silver bullion according to convenience or invest it in some useful industry, so that the Fund may be augmented and the end above mentioned may be attained. With this object in view, the following regulations are now adopted, determining the method of the utilization of the Fund, as well as the method according to which its Comptabilité is to be kept separate from the General Account :--

- Art. I. The amount of the Treasury Reserve Fund shall be the sum total of the various coins, new and old, detailed in another book. (This book giving the detailed account of these coins is herewith omitted.)
- Art. II. The reserve funds in possession of the *Han* Governments, kept for the redemption of the notes issued by them, shall be added to the present Reserve Fund, according to the actual amount received by the Government.
- Art. III. Since the Reserve Fund is to be used for redeeming the Treasury Convertible bills, issued through the Mitsui Company, 6,800,000 yen in amount, the required amount may be taken out of the Fund any time, and paid in exchange for these bills, whenever a demand is made for such exchange.

The bills, however, which are received in payment of taxes, duties and other public revenue, shall simply be turned over

to the item of the ordinary income in the General Account of the Government, without redeeming them.

- Art. IV. The bills redeemed and those on hand shall be used, according as opportunities arise, for purchasing gold and silver bullion, the purchase taking place after carefully considering the condition of the market.
- Art. V. This Reserve Fund shall also be used, in order to increase its amount, for buying principally gold and silver bullion, or old gold and silver coins, or other coins hitherto current, or Mexican dollars, the purchase being effected after carefully considering the current market prices: and the bullion thus obtained may be minted into new coins after being refined, or sold over to the General Account of the Government.

When appropriation is made, as mentioned in the above paragraph, of the current coins in the Reserve Fund, by the General Account, they shall be paid for according to the current market prices, and the two accounts shall be kept strictly separate.

Art. VI. The Reserve Fund may be used on special occasions for purchasing paper money, Government bonds, etc.

This use of the Fund shall take place solely with the view to its own augmentation; the transaction shall never be allowed to get mixed up with the redemption of paper money and of Government bonds.

Art. VII. The Reserve Fund shall, under no circumstance whatever, be appropriated by the General Account or accommodated for expenditures in any other way.

The accommodation use made of the Fund in effecting the purposes as provided for in Arts. IV and V will not be in violation of the present article.

Art. VIII. Various special books shall be kept for the purpose of entering the debits and credits and other details concerning the present Fund; the books shall be carefully and accurately balanced and audited, at least four times a year; and in order to make the amount of accumulations to the Fund and other statements concerning it clear at a glance, concise reports with tables shall be compiled; and submitted to the Minister and Vice-Minister of Finance.

As for the details of the daily balancing of the debits and credits of the Fund, they shall be compiled monthly on the basis of the accounts in the books, and be submitted to the Minister and Vice-Minister of Finance. Art. IX. All profits arising out of the Fund shall be added to the Fund and counted together.

As for these profits, a separate book shall be kept from the start, and the dates and amounts carefully entered, so that those items may be clearly seen at a glance.

- Art. X. Even where, for the convenience of its employment, the Fund may happen to be kept in portions in different places, the account shall be kept as a whole and shall never be allowed to get confused with that of the General Account. Even as temporary accommodation, the fund shall not be borrowed for making defrayments for the General Account.
- Art. XI. Depositing of this fund in the Government Treasury or its withdrawal from it shall not take place, unless the Finance Minister, by a written instruction signed by himself personally, orders its movement or exchange.

As for keeping the accounts in these respects and of the methods of the movement, special officials shall be appointed from the Exchequer Bureau to take the work in charge.

Art. XII. Amendments or revisions in these Regulations shall only be made with the permission of the Minister and Vice-Minister of Finance.

These Rules received subsequently amendments and alterations on eight different occasions between 1873—1881 (6th year and 14th year of *Meiji*).

By the December of 1872 (5th year of Meiji), the Reserve Fund reached the sum of over sixteen million yen; and in January of the following year (6th year of Meiji), the Vice-Minister of Finance, Mr. Inouye Kaoru, (now Count) with the object of putting this Fund on a still firmer basis, presented the following memorandum to the Government, which was subsequently adopted:—

"I have already had occasion to submit my views regarding the Reserve Fund, which has now grown to over sixteen million yen. This Fund was originally intended to provide for the redemption of the Treasury Bills whose amount stood at 6,800,000 yen. It is, however, desirable to have it increased to tens of millions of yen, by taking measures for its increase, according to the condition of finance, and in ways entirely independent of the General Account. Yet the Fund

is in no case intended to supplement the deficit of revenues. As for its uses, there are three very important services it is intended to render, which demand the greatest attention from the point of view of our national finance. For one, there are at present in circulation fifty five million yen of Daijokan notes, and about twenty million yen of notes issued by the Han Governments, both of which require redemption. Then, besides, it is necessary to issue the Government paper money to the extent of twenty million yen, in order to cover the deficits for the years from the time of the abolition of feudalism in the 4th year of Meiji (1871) to December of the present year (6th year of Meiji). The above amounts have thus come up to the total of ninety-five million yen in round figures; while the amount of the new coins made at the Mint does not go beyond thirty million yen. Moreover a million yen out of the latter amount have already been turned over to the account of the Reserve Fund and withdrawn from circulation. So that the balance between the amount, in circulation, of specie and that of paper has been much disturbed. Should therefore the people show an increased preference for specie, it may possibly for a time make the circulation of paper money difficult, owing to the difference of value between specie and paper. Another point we must consider is this, that owing to certain circumstances in the circulation of the currency, or to the conditions of the export trade, there may arise frequent fluctuations in the ratio between our gold coins and Mexican dollars. Then again, as to the Government bonds which are now being issued, it is difficult to tell what kind of market prices they will be able to maintain, the whole thing depending upon the degree of confidence shown by the people in buying, selling and circulating them. Should the market go down, and the Government be provided with no means of buying those bonds, the general public will fail to come to appreciate the really useful and convenient nature of these bonds. Hence in order to be well prepared against such emergencies, careful observations should be constantly made of the condition of the circulation, as well as of the fluctuations in the prices of the home and foreign coins, various paper moneys, bills, etc. And after thorough deliberation, they should be bought or sold, or other expediency measures be adopted according to circumstances, so as to enable the national currency to maintain its normal price. But while it may not be possible to determine beforehand as to the exact modus operandi in carrying out these plans, the first thing needed in any case will be a well filled Treasury, without which it will be impossible to accomplish anything. It was in view of these facts that our present policy in regard to the Reserve Fund was first adopted and the Regulations concerning the Fund established. This Fund, which was started in the month of June of the

5th year of Meiji, with but a little over eleven million and three hundred thousand yen as the nucleus, has now increased to over 16,000,000 yen, owing to the most indefatigable efforts made,—such as minting coins from time to time, &c.,—to accomplish our end. We propose that the method of utilization of the Fund shall be of special form, different from that of the General Account; its administration being governed by a special set of strict rules, which shall be subscribed to by all the Ministers of State. It must be remembered that the Treasury Bills, to the sum of 6,800,000 yen, may have to be exchanged with specie out of the Reserve Fund on demand by the people. Taking these things into consideration, it will be seen that the amount of the Reserve does not come up to even one tenth of the total of these bills and various other kinds of paper moneys now actually issued; nevertheless, it is our purpose to persist in our efforts to increase the Fund and bring it up to an amount which may one day prove to be of great service to the financial administration of the country. It is, therefore, our earnest prayer, that, not only during the time we are in office, but down to a hundred years yet to come, in pursuance of the plan here laid out, efforts shall be made year after year to augment the Fund, thus protecting and advancing the prosperity of the nation, in order to establish the foundation of popular confidence in the national currency; and furthermore that the fund shall positively never be spent for expenditures under the General Account.

Should the Cabinet find our scheme acceptable, we would most humbly beg for the immediate sanction of His August Majesty, with the counter signatures of all the Ministers of State. With these prayers, I hereby submit this memorandum, with the accompanying draft, to the careful consideration of the Government."

(The text of the " draft" mentioned above as accompanying the memorandum is omitted herewith).

From this time forward, the Government never neglected devising means for augmenting the Reserve Fund. Especially, in 1875 (8th year of *Meiji*) the Government for the first time established the system of the fiscal year, fixing the period from July 1st of a given year to June 30th of the following year as one fiscal year. The old system of meeting the expenditures of a year with the revenue of the preceding year was also changed to that of applying the revenue of a given year to the expenditure of the same year; and in that way a surplus of over twenty million *yen*, for the term from January to June inclusive of 1873 (6th year of *Meiji*), was produced.

This became a source of greatly augmenting the Reserve Fund, being successively transferred into its account, according as various accounts were settled.

The Rules concerning the Reserve Fund were first established in 1872 (5th year of Meiji), and subsequently received alterations several times; but in the month of July of 1878 (11th year of Meiji), these Rules were finally greatly revised; instead of the old Rules, there were now issued the Reserve Fund Regulations and Sinking Fund Regulations, as follows:—

The Reserve Fund Regulations.

- Art. I. The Reserve Fund is the fund for issuing paper money. Of the Reserve Fund, ten million yen in gold shall be kept in the Government Treasury and the rest shall be turned into the floating capital.
- Art. II. The surplus remaining after settling accounts for each fiscal year, shall be transferred to the account of the Reserve Fund. Such transferance may, however, be effected any time by a special resolution, as a measure of financial expediency.
- Art. III. A ledger for the Reserve Fund shall be kept at the Public Debt Bureau and every receipt into and payment from the Fund shall each time be entered in the ledger, and in this way the movements of the Fund kept track of through the ledger, while the actual cash shall be left in the safe keeping of the Exchequer Bureau.
- Art. IV. In making deposit into or disbursement out of the Reserve Fund, each act shall be accompanied by a voucher of the Finance Minister, similar to the cases of general receipt and payment, according to the Exchequer Regulations. When a document requiring a voucher is issued, the Public Debt Bureau shall number it, and let it go through the process of dividing the seal (wari-in) with the ledger folio. No voucher shall be given to a document without the duly executed wari-in.* Each Bureau and Section concerned shall make entries according to the number given by the Public Debt Bureau.
- Art. V. The Public Debt Bureau shall be responsible for the receipts and disbursements, as well as the utilization of the

^{*&}quot; Wari-in" is a process of stamping one seal on two documents, in such a way that one half of the seal appears on each.

Reserve Fund. For this reason, in all vouchers regarding the movements of the Fund and in keeping the accounts for the Fund, the chief of the Bureau shall sign himself either as the payer or the payee; and when money is borrowed for the Reserve Fund from other sources, the said chief of the Bureau shall sign himself as debtor to the creditor, and creditor to the Fund itself.

Art. VI. In making deposits into or disbursements out of the Reserve Fund, the vouchers shall be made out and issued after obtaining the sanction of the Finance Minister by means of representations according to Forms* No. I—a and b. However, in case the receipt or disbursement is to be effected in accordance with Form No. II for which the sunction of the Finance Minister has already been obtained, a brief in accordance with Forms No. III—a and b shall be made out and the voucher prepared by binding therewith the original paper containing the previous sanction of the Finace Minister.

Art. VII. A table shall be compiled monthly according to Form No. IV showing the amounts of receipts and payments in cash, as well as the actual amount in existence on account of the Reserve Fund; and being submitted to the Minister of Finance on the 5th of the following month, the table shall in the presence of the said Minister be compared and checked with the similar tables to be also submitted by the Exchequer and Record Bureaux and by the Vouchers' Section.

The Reserve Fund Monthly Table, compiled on the last day of each month (Form No. V—a) and the Table in detail of the same (Form No. V—b) shall then be recompiled and submitted to the Finance Minister.

Art. VIII. The Public Debt Bureau shall each year make the estimate of the capital of the Reserve Fund to be carried over to July 1st and submit the same to the Minister of Finance by the 15th of June of the year. (The statement in the Budget of the year shall be made according to the estimate thus submitted.) And then according to Art. IX the actual amount of the capital carried over to July 1st shall be investigated and the statement as to whether such actual amount had been in excess of, or had fallen behind the estimate, shall be reported.

Art. IX. One whole year, from the 1st day of July of a given year to the 30th day of June of the following year shall constitute

^{*} The forms mentioned in these articles are omitted herewith.

for the Reserve Fund a period for settling all accounts regarding the actual receipts and disbursements, and its capital shall be reconstituted on the 1st day of the month of July each year. Also the amount of the Fund carried over to July 1st and a report giving in detail the reasons of increase or decrease (Form No. VI) shall each year be prepared and submitted to the Finance Minister by the 20th of July.

Art. X. The receipts into or disbursements out of the Reserve Fund shall be balanced individually according to each item. These items shall be divided into four headings, each of these headings being subdivided into certain main items;

(The first heading, "Appropriation," shall only apply to the receipt

Cashier's Headings.

Main Items.

- Appropriation
- II. Floating Capital belonging to the Public Debt Bureau.

Balance on hand after settling the General Account.

- (1) Fund for the Purchase of Bullion.
- (2) Fund for the Purchase of Mexican Dollars.
- Fund for the Purchase of (3)Bills.
- (4) The Foreign-Bills-of-Exchange Fund.
- (5) Fund for the Carrying on of Industrial Enterprises by the various Departments of State.
- (6) Reserve Fund for the Departments of State.
- Various Loan Funds. (7)
- Money kept as Security. (8)
- Brick-Buildings-Construction Loan Funds.
- (10) Miscellaneous Loan Fund. Debts contracted. Profit and Loss.

TTI. Debts contracted

IV. Profit and Loss

- Art. XI. All amounts received into and paid out of the Reserve Fund shall be entered in the Reserve Fund Ledger in accordance with the cashier's items. The Main Items are to be used solely by the Public Debt Bureau, so that no such analysis shall be observed in keeping the accounts of the Reserve Fund (i. e. the Reserve Fund proper).
- Art. XII. Although the Reserve Fund makes it its principal interest to be utilized, and thus to augment itself, all business concerning its utilization shall be transacted by the Public Debt Bureau and the Reserve Fund shall not directly concern itself with such utilization.
- Art. XIII. Any profit or loss occasioned in the course of such utilization by the Public Debt Bureau, shall be considered the profit or loss of the Public Debt Bureau (i. e. for the portion in circulation) and shall not be regarded directly as a profit or loss of the Reserve Fund.
- Art. XIV. When the Public Debt Bureau is in need of a floating capital, the Bureau shall receive it from time to time out of the Reserve Fund; the Bureau may, however, prepare an estimate of its probable need, and receive the amount on the estimate beforehand in one lump.

The funds for the Main Items may be used accommodatingly amongst themselves.

Art. XV. All loans advanced by the Public Debt Bureau shall require securities, which shall be confined to various Government Bonds, old gold and silver coins, bank notes, gold, silver, and copper bullion, and real estate.

This rule may not be adhered to when the accommodation loans are made amongst the various Departments of State with the General Account Funds and the Sinking Fund.

- Art. XVI. When the Public Debt Bureau advances a loan out of its floating capital, its term shall always be limited to six full months, at the rate of interest of 7 per cent. (seven-one-hundredths of the principal) or more. On the other hand a loan that may be effected by a special resolution may not be bound by this rule.
- Art. XVII. No interest shall be charged and the length of the term may be determined according to circumstances, when mutual accomodation loans are to be made amongst the General Account Funds, the Sinking Fund and the Reserve Fund.
- Art. XVIII. Regarding the floating capital loaned out of the

Reserve Fund to the Public Debt Bureau, the principal (the amount of capital originally advanced out of the Reserve Fund) shall be refunded out of the money obtained from the transactions undertaken by the said Bureau in the purchase and sale of certain articles, or out of the coins minted from bullion, or out of the money received in payment for loans, after settling the profit or loss accounts, in each case.

The profit shall be disposed of according to Arts. XXI and XXII.

- Art. XIX. When, owing to certain circumstances, it is necessary to borrow for the Reserve Fund, the loan shall not be contracted directly by the Reserve Fund itself, but it shall first be contracted by the Public Debt Bureau and the Reserve Fund shall borrow it from the said Bureau.
- Art. XX. The Public Debt Bureau shall monthly compile, in accordance with Form No. VII, a detailed report of the goods bought and sold or the funds received, delivered and utilized; shall keep such report at the Bureau; and have it examined by inspectors on the occasion of their official visit, in accordance with Imperial Ordinance No. I of the 11th year of Meiji and also the Finance Minister's Order of the month of March of the 11th year of Meiji.
- Art. XXI. Regarding the profit or loss arising from the utilization undertaken by the Public Debt Bureau, such profit or loss shall on each occasion be balanced, both the profit and loss being charged to the account of the Public Debt Bureau; the loss of the Bureau being made good by profits accruing from other sources.

The balancing shall be made at the end of each month in regard to the profit or loss incidental to the buying, selling and exchanging of Mexican dollars.

Art. XXII. All the miscellaneous expenditures incidental to transactions (i. e. bullion refining expense, transportation expense, commissions on buying or selling goods and on exchanging silver, copper and paper money, interest on loans, convertible notes and Government bonds printing expenses, and other miscellaneous expenses arising out of these transactions,) shall be charged to the loss account of the Public Debt Bureau and shall be made good out of the Bureau's profits. However, when those profits are small and not sufficient to make good such losses, the Reserve Fund shall advance the necessary amount to the Public Debt Bureau as a floating capital. This

loan shall, however, be paid back later on by the Bureau out of its profits.

Regarding those expenditures the exact amounts of which can not be previously determined (such as Government bonds printing expense for which appropriation is made on an estimate and the balance is struck after actual settlement) the Reserve Fund shall temporarily advance the amount of the estimate as floating capital to the Public Debt Bureau, which after the amount has been actually fixed shall refund it out of its profits.

Art. XXIII. The expenditures such as commissions and transportation expenses, mentioned in the preceding article, shall be balanced against the profits arising out of the transactions carried on under the respective Main Items.

When expenses occur for exchanging the currency of one description for another, where there is no Main Item to come under as in the cases of the expenses of printing Government bonds and convertible notes, these shall be settled out of the general profits of the Bureau.

Art. XXIV. The Public Debt Bureau shall at the end of each month, compile reports showing the profit and loss accounts of each Main Item, and balance sheets showing the amount of losses made good by profits (Form No. X—a and b), and shall present them to the Finance Minister by the 10th of the following month.

The details of profit or loss from the sale of the goods which are to come under Form No. X shall be written up each month, be kept at the Public Debt Bureau and examined by auditors on the occasion of their official visit, in accordance with Imperial Ordinance No. I of the 11th year of Meiji and Finance Minister's Order of March of 11th year of Meiji.

Art. XXV. The statement of accounts of the Public Debt Bureau shall be compiled in the form of a detailed report, showing the balance of profits or losses during the period from July 1st of a given year to the 30th of June of the following year, and be presented to the Finance Minister by the 10th of the month following the expiration of the term mentioned; and the net profits shall be transferred to the Reserve Fund.

Art. XXVI. The Public Debt Bureau shall make careful entry, in accordance with Form No. XII, in the Book of Account for the Accommodation Debts, showing the amount remaining un-

settled after deducting all that had been paid in against the capital loaned by the Reserve Fund, as in Art. XIV, and shall present it to the Finance Minister for the purpose of being audited.

- Art. XXVII. When the Public Debt Bureau has delivered over to the Reserve Fund its net profit and the surplus revenue remaining after settling the General Account for one whole year, the said Bureau shall enter the sums in the receipt account book and present the same each month to the Finance Minister for the purpose of being audited.
- Art. XXVIII. When the account made according to the provisions of the preceding article shows loss after balancing the profits and losses of the transaction, a representation to that effect shall be made and permission obtained for entering the amount of loss, by charging it to the loss account of the Accomodation Debts Account Book.
- Art. XXIX. When the Public Debt Bureau receives the payment of the amount of the loan advanced by it to the Reserve Fund, the said Bureau shall compile a monthly account book in accordance with Form No. XIV, and shall present the same each month to the Finance Minister for auditing.

Even when only a part payment, instead of the payment of the whole amount, is made, the account book mentioned in the present Article shall also be submitted to the Finance Minister, for that month in which such part-payment was made.

Art. XXX. The account books prepared by the Public Debt Bureau shall be presented without fail within the first five days of the month following (holidays excepted). And the auditor's certificates on the said books shall be received and kept by the National Debt Bureau. The Finance Minister shall confer the settlement certificate within seven days (holidays excepted) following the day on which the account book of the last period (i. e. the month of June of each year) is presented.

The Sinking Fund Regulations.

- Art. I. The Sinking Fund has for its object the redemption of public debts, both domestic and foreign.
- Art. II. The sum of twenty million yen shall be added annually out of the General Account to the Sinking Fund, commencing with the 11th fiscal year of Meiji (1878).

Of this amount the sum of 978,000 yen is to be appropriated toward the redemption of the principal and interest of the Public Works Loan Bonds—12,500,000 yen in amount—to be newly levied in the 11th year of Meiji.

- Art. III. The sum of twenty million yen shall be appropriated out of the Reserve Fund in the beginning of the 11th fiscal year; the same to be made the Sinking Fund Capital. Earnest efforts shall be made for the increase of this Fund Capital through its utilization, so that the work of redemption may be as speedily accomplished as possible.
- Art. IV. The public debts shall be redeemed with 20 million yen appropriated from the General Account as well as with the profits obtained from the utilization of the Fund, and should there be any balance left over, the same shall not be refunded to the General Account but be added to the Sinking Fund.
- Art. V. Should the amount transferred from the General Account be found insufficient to cover the amount to be paid off in a given year, the deficiency shall be made good out of the Sinking Fund Capital, with the permission of the Finance Minister.
- Art. VI. The fiscal year for the two items of the yearly appropriation out of the General Account and of the redemption of public debts shall be the same as the fiscal year for the General Account.
- Art. VII. The Public Debt Bureau shall keep the Sinking Fund Ledger and shall make entry therein of each receipt and payment; and thus the said Bureau shall keep the accounts of the Fund on the pages of the Ledger, while the actual cash shall be left in the keeping of the Exchequer Bureau.
- Art. VIII. In making deposit into or disbursement out of the Sinking Fund, each act shall be accompained by a voucher of the Finance Minister in the same way as in the case of the receipts and payments in general; and when such a voucher is issued, the Public Debt Bureau shall number it and let it go through the process of dividing the seal (wari-in) with the ledger folio. No voucher shall be given to a document without the divided seal. Each Bureau and Section concerned shall make entries according to the number given by the Public Debt Bureau.
- Art. IX. As the Public Debt Bureau shall be responsible for the receipts and payments, as well as for the utilization of the Sinking Fund, the said Bureau shall constitute itself the payer or

payee in making out the vouchers for the account of the said Fund. In effecting loans also for the Fund, the said Bureau shall settle all accounts by constituting itself debtor to the creditor and creditor to the Sinking Fund.

- Art. X. In making deposit into or disbursement out of the Sinking Fund, the vouchers shall be prepared by obtaining the sanction of the Finance Minister, through representations in accordance with the Forms No. I—a and b; when, however, the amount to be received or disbursed as in the Form No. II has had the sanction of the Finance Minister, a brief shall be made out accordance with Forms No. III—a and b, and the voucher prepared by binding therewith the original paper containing the previous sanction of the Finance Minister.
- Art. XI. A table shall be compiled each month, in accordance with Form No. IV, showing the cash paid out and on hand of the Sinking Fund, and shall be presented to the Finance Minister by the 5th of the following month. The same shall then be compared in the presence of the Finance Minister with the table compiled and presented by the Exchequer and Record Bureaux and the Vouchers' Section.

A monthly table (Form No. 5—a) compiled on the last day of each month, showing the condition of the Sinking Fund, and a report in detail thereof (Form No. 5—b) shall be compiled and presented to the Finance Minister.

- Art. XII. The Public Debt Bureau shall make an estimate of the amount of the Sinking Fund Capital to be carried over to July 1st each year, and shall present it to the Finance Minister by the 15th of June. (This estimate shall be used in the preparation of the Budget of that year.) And as in the case of Art. XIII the amount of cash actually carried over to July 1st shall be settled, and a report as to the amount exceeding or falling behind the estimate shall be submitted.
- Art. XIII. The year commencing on July 1st of a given year and ending June 30th of the following year shall form one fiscal year for the Sinking Fund, and its Fund Capital shall be readjusted on the 1st day of July each year. Further, a report setting forth the amount of the capital carried over to July 1st each year, and the reasons for the increase or decrease thereof during the preceding year, shall be compiled and submitted to the Finance Minister by the 20th of July.
- Art. XIV. Additions to the Sinking Fund shall consist of the two items of the appropriation from the General Account and of

the profits realized by the Public Debt Bureau by the utilization of its funds; while the disbursements by the Fund shall consist of one item, namely, the paying off of the public debts. As for the floating fund and the moneys borrowed, they shall together constitute a single item; their receipts and disbursements being entered in the account book in due order. The cashier's Receipt and Disbursement Account shall have five headings, each subdivided into certain main items, as follows:—

Cashier's Headings.

Main Items.

- Appropriation from a given fiscal year's General Account.
- Redemption of public debts for the given fiscal year.
- III. Floating Fund.
- IV. Debts contracted.V. Profit and Loss.

Appropriation from the given fiscal year's General Account.

- (1) Domestic Debts.
- (2) Paper Money.
- (3) Foreign Debts.
- (1) The Fund for the Purchase of Government Bonds.
- (1) Debts contracted.
- (1) Profit and Loss.
- Art. XV. All entries of receipts and disbursements in the Sinking Fund Ledger shall consist of the full amounts either received or paid, according to the headings and items mentioned in the preceding article.

The Main Items are to be followed only in the accounts of the Public Debt Bureau, their classification not being followed in the account of the Sinking Fund (i. e. the Sinking Fund Proper.)

- Art. XVI. The utilization of the Sinking Fund Capital shall be entrusted to the public Debt Bureau, and the Fund shall not concern itself directly with such utilization.
- Art. XVII. All profits and losses arising in the course of such utilization, undertaken by the Public Debt Bureau, shall be regarded as the profits and losses of that Bureau, and shall not be charged to the account of the Sinking Fund.
- Art. XVIII. Whenever the Public Debt Bureau is in need of a floating fund, the Bureau shall obtain it from the Sinking Fund; or according to circumstances, an estimate may be made beforehand of the needed amounts and the appropriation made in one

lump; or further, the funds set apart for the main items of the Public Debt Bureau may be accommodated among themselves.

- Art. XIX. The investment of the Sinking Fund Capital, which the Public Debt Bureau may undertake in order to realize profits therefrom, shall be confined solely to the selling and buying of Government bonds. It is strictly forbidden to make advances to individuals or to engage in buying goods of whatever kind.
- Art. XX. When in accordance with Art. III of the Finance Department Order B, No. LX of the 9th year of Meiji, as well as with the Finance Department Order B. No. XV of the 10th year of Meiji (1877), or owing to any other circumstance, the Government bonds are delivered over to the Government, those bonds shall be bought with the Sinking Fund.
- Art. XXI. When there is a temporary surplus in the Sinking Fund Capital the same may be loaned to the Reserve Fund, through the National Debt Bureau by a special resolution.

The rate of interest, the term of the loan, etc. shall be determined on each occasion.

- Art. XXII. When the Government bonds, secured by the Public Debt Bureau, are sold off, or when their redemption takes place through drawing lots, the money thus realized shall, after balancing the profit and loss, be paid back to the Sinking Fund, in proportion to the original amount of the capital advanced from the Sinking Fund. (The profits thereof shall be disposed of in accordance with Arts. XVII and XXVII.)
- Art. XXIII. The Public Debt Bureau shall compile each month in accordance with Form No. VII a detailed report of the Government bonds bought or sold, as well as of the loans made or paid back. The report shall be kept in the Public Debt Bureau and receive the examination of auditors on the occasion of their official visit, in accordance with Imperial Ordinance No. I of the 11th year of Meiji and the Finance Minister's Order of March of the same year.
- Art. XXIV. All losses and expenses, (commissions on buying and selling the Government bonds, transportation expenses, &c.), arising out of the utilization of the Sinking Fund undertaken by the Public Debt Bureau, shall be charged to the account of the Public Debt Bureau, and be made good out of the profits of the same Bureau.
- Art. XXV. While the various expenses connected with the utilization transactions shall be charged to the account of the Public Debt Bureau and be made good out of the profits of the said

Bureau, yet in case these accounts are not yet definitely known, they shall be temporarily paid out of the Floating Fund, (under the title of miscellaneous advances under the Main Items). These shall, however, be paid back later when their amounts are known.

- Art. XXVI. At the end of each month the Public Debt Bureau shall compile a report of profits and losses classified according to the Main Items, and make a written report on balancing the profits and losses (applicable only to the Main Items relating to the Sinking Fund Capital), in accordance with Forms No. X—a and b, and shall present this report to the Finance Minister by the 10th of the following month. As for the detailed report of buying and selling of Government bonds and the profit and loss arising therefrom, it shall be compiled each month in accordance with Form No. X—c, which shall be kept at the Public Debt Bureau, for examination by auditors on the occasion of their official visit, in accordance with Imperial Ordinance No. I of the 11th year of Meiji and the Finance Minister's Order of March the same year.
- Art. XXVII. The Public Debt Bureau shall compile a detailed report (Forms No. X—a and b) by a careful comparison of the various items of profits and losses occuring between the 1st of July of a given year and the 30th of June of the following year: and present the same to the Finance Minister within ten days after the last named date. The net profit shall be paid over to the Sinking Fund.
- Art. XXVIII. A detailed account as per Form No. VIII shall be compiled setting forth the actual amount of public debts redeemed with the twenty million yen appropriated under Art. IV, as well as the actual amount to be added to the Sinking Fund. This report shall be presented to the Minister of Finance and also shown among the various bureaux and offices. In the General Account, the disposal of the twenty million yen shall be shown under the separate items of the amount spent for the redemption of the public debts and that added to the Sinking Fund.

The object of putting down the two items separately, instead of simply stating "20 million *yen* appropriated for the Redemption of Public Debts" is in order to avoid a discrepancy appearing in the yearly balance sheet, since the debts actually paid which will appear in another place, may not necessarily exactly come up to twenty million *yen*.

Art. XXIX. When the yearly amount of appropriation (20 million

yen) from the General Account has been found to be insufficient to meet the demand for the payment of the public debts in a given year, and the deficiency has been met out of the Sinking Fund as provided for in Art. V, the amount thus drawn from the Fund shall be looked upon as a supplementary revenue (Form B), and be first put down among the items of the year's revenue, and in the report (made according to Form B.) that amount shall be put down as appropriated from the General Account for the purpose of redemption.

The reason for the above provision is that unless the amount accommodated out of the Sinking Fund is not added first to the revenue and then appropriated for redemption purposes, the books will show the strange fact of a certain amount of public debts being paid off with the money not appearing in the revenue.

- Art. XXX. The amounts of money spent in paying off public debts shall be put down in an account book in accordance with Form No. XI with a separate account for each year as provided for by Art. VI and shall be submitted for auditing and approval.
- Art. XXXI. The reports as provided for by Arts. XXVIII and XXIX being connected with the business of preparing the yearly Budget and the settling of accounts, shall without fail be submitted within the same fiscal year.
- Art. XXXII. The Public Debt Bureau shall prepare an account according to Form No. XII, setting forth the balance of the money remaining unsettled, after the money paid back to the Sinking Fund is deducted from the amount of the Floating Fund borrowed from the Sinking Fund, and present this to the Minister of Finance to be audited. The distinction of fiscal years shall not be observed in the statement concerning the circulating capital.
- Art. XXXIII. When the Public Debt Bureau has paid to the Sinking Fund the year's profits and the amount of appropriation from the General Account, the details of the transaction shall be put down in a receipt account book, in accordance with Form No. XIII, and be submitted each month to the Finance Minister for auditing and sanction.
- Art. XXXIV. When loss is shown after balancing the profits and losses in the case of the report as provided for by Art. XXVII, the amount of that loss shall, being approved, be charged to the loss side of the Accommodation Loan Account Book and be regarded as so much lost.
- Art. XXXV. As for the amount advanced by the Public Debt

Bureau to the Sinking Fund, when it is paid back, the details of the transaction shall be put down in an account book, according to Form No. XIV and be submitted each month to the Finance Minister for auditing and sanction.

Even though the total amount be not paid back, when there is made a partial payment that item shall be put down in the report of that month.

Art. XXXVI. The Book of Accounts compiled by the Public Debt Bureau shall be submitted without fail, within the first five days of the month following (holidays being excepted); the auditor's certificate of examination of the Book of Account shall be received and preserved. Within seven days (holidays excepted) after the presentation of the Book of Accounts for the closing term (the month of June of each year is called the closing term), the Finance Minister shall give a certificate for the settlement of the accounts.

In the manner above described, there was now established the Special Comptabilité of the Sinking Fund Capital, by setting aside twenty million yen out of the Reserve Fund. In consequence of this the Reserve Fund came to be divided into the two accounts of the Reserve Fund Proper and the Sinking Fund. The efforts were kept up to augment the Reserve Fund Proper by making various investments out of it, in order that the necessary preparations might be made for the resumption of specie payment. Concerning the Sinking Fund, the policy was now adopted: (1) of investing all the fund capital in Government bonds, in order to apply the interest accruing therefrom to paying off the principal and interest of public debts; and whenever cash was obtained through these bonds being redeemed by the drawing of lots, again the cash was to be employed in the purchase of Government bonds, so that the amount of the fund capital consisting of Government bonds might always be kept up to twenty million yen; (2) of applying the remainder, should there be any, toward paying off the principal and interest of public debts. It was at the same time forbidden to make accommodations between the Reserve Fund proper and the Sinking Fund. In 1882 (15th year of Meiji), however, the Minister of Finance (Count Matsukata) came to see that, in order to make the adjustment of paper currency, it would be necessary to turn the public bonds which constituted the Sinking Fund Capital into specie, by exchanging them with the specie belonging to the Reserve Fund proper, so that the latter might, by selling off those bonds, apply the paper money received in payment thereof toward procuring further specie. On the 15th of August, 1882, he memorialized the Government on the subject, as follows:—

While the plan of buying Government bonds by making use of the twenty million yen of paper money appropriated out of the Reserve Fund was submitted in the month of September of the 11th year of Meiji and has since been acted upon, subsequent reflections have forced upon me the conclusion that the present financial difficulties are principally attributable to the existence of a discrepancy between the value of specie and of paper. Now the most urgent step to be taken in improving the situation would be to contract the circulation of paper money within proper limits, at the same time taking measures for the accumulation of specie in the Treasury, in order gradually to pave the way for the resumption of specie payment. For this reason the undersigned humbly submits that the specie belonging to the Reserve Fund proper may be exchanged for the Government bonds in the possession of the Sinking Fund, in order that steps may be taken for the absorption of specie, which may also serve as a means of meeting any emergency need. The undersigned begs, therefore, that the policy herein sketched may be speedily sanctioned by the Government.

The above representation received an immediate sanction; and since then, down to 1886 (19th year of *Meiji*), the sinking fund held in its possession coin received in exchange for the Government bonds, without realizing any profits from them.

In 1883 and 1884 (16th and 17th of Meiji), the two accounts of the Military and Emergency Reserves were set up within the Reserve Fund Account, but the former having been exhausted in a few years, by being spent for military purposes, went out of existence, and the latter became rehabilitated into the Reserve Fund proper.

The Reserve Fund reached, by the end of the month of June, 1881 (14th year of *Meiji*), the highest total (the Reserve Fund proper and Sinking Fund being counted together), of

55,793,498 yen 56 sen and 5 rin (this total includes the amounts which were not in actual cash, i. e. the amounts which were in the shape of loans for the purpose of assisting industries or of encouraging direct exports to foreign countries); but of this total only yen 8,691,914.491 were in coin and the remainder (yen 47,101,584.074) was in paper money. Since then, however, disbursements having been made in the form of appropriations to the General Account of each subsequent year, as supplementary funds for redeeming home debts, and also to cover losses arising out of transactions in bullion and coin (i. e. losses resulting from the purchase of specie with depreciated paper money), the total was reduced to yen 48,787,685.11 by the last day of December, 1885 (18th year of Meiji). At the same time, however, of this amount, that representing specie rose to yen 42,265,640.54, while that representing paper money fell to yen 6,522,044.57. This vast amount of specie was by far the largest that has ever been in the possession of the Reserve Fund since the first years of Meiji, a circumstance due to the absorption of a large amount of specie mainly through operations in discounting foreign bills of exchange.

It was in the month of October, 1880 (13th year of Meiji), that the Government first engaged in transactions connected with foreign bills of exchange, by entrusting the sum of three million yen to the Yokohama Specie Bank, in order that the latter might discount foreign bills of exchange on the security of exported goods, at the request of mercantile companies engaged in the direct export trade. It was, indeed, the main object of thus engaging in discounting foreign bills of exchange, to encourage on the one hand the direct export trade and on the other to secure specie,—it being the object of the Government to use the specie thus obtained in paying off the principal and interests of the foreign debt, and also in making payment for the foreign expenses of the various departments and offices of the Government. In those early days, however, the business connected with the foreign bills of exchange being entirely new, and the whole thing being mismanaged, there arose various evils connected with it, so that the result was far from

accomplishing the object aimed at. The Government thus not only failed to accomplish the absorption of specie, but had even to sustain losses, owing to the fact that the advances made (in the form of discounting the foreign bills of exchange) often remained unpaid long after the expiration of the term of maturity. The causes of this failure on the part of the Government, in its first experience connected with foreign bills of exchange, appear to have been:—

- 1. The laxity in the inspection of goods, before discounting the bills of exchange, so that goods of inferior quality were sent abroad which did not command the expected price.
- 2. The business connected with the disposal of exported goods being mismanaged, led to uncertainties and irregularities in their sales, causing delay in the payment of the bills.
- 3. Since the money advanced in discounting the foreign bills of exchange was in paper money, it was arranged that the collection of those bills abroad should also take place in terms of paper money; so that the price realized abroad on the goods exported was, in paying for these bills, converted into the terms of paper money according to the rate of exchange prevailing at the time. And this process took place at a time when the paper currency was rapidly depreciating. As a result, the export merchants became engrossed in the subject of fluctuations in the value of paper money,—regarding their business as one of speculation rather than of sober legitimate transaction, in the hope of realizing certain chance profits from the fluctuations of paper money.

But toward the close of 1881 (14th year of Meiji), the Minister of Finance (Count Matsukata) in taking up the work of adjusting the paper currency, came to the conclusion that, in order successfully to effect the augmentation of the specie reserve which was to be applied to redeeming paper money, the most appropriate method would be to absorb specie from abroad by properly engaging in transactions connected with the foreign bills of exchange; and that this might be done by

making certain necessary revisions in the then exsisting system.

Accordingly, he submitted the following memorandum to the Government:—

We have hitherto tried various schemes for augmenting the coin reserves of the Government; of which some were practiced at home, while others were practiced in foreign countries with which we had commercial dealings. The proposal that the undersigned now wishes to make is none other than to push ahead the augmentation scheme through operations in foreign fields. To explain: our domestic trade is yet very small in its volume and quite rudimentary in its development. Should, therefore, the Government interfere directly with the business transactions at home, which are both limited and infantile, the result would be at one time to precipitate the market into feverish excitement, and then again into vacant dullness, the effect of which would be to excite further the speculative tendency prevailing in the country; and in the end the policy would not be effectual in augmenting the amount of specie in the Reserve Fund as may be verified by the experience of recent years. For this reason the undersigned has come to the conclusion that the scheme should not be tried at home, but that it should be mainly practiced abroad.

Now in operating the plan abroad, there are more methods than one, but they may be summarised as follows: first, to make advances in the form of discounting the foreign bills of exchange on the security of goods exported, and second, in the form of making an indirect accommodation of money on the direct transportation abroad. As for the direct transportation, however, there is hardly at this moment a vessel of our merchant fleet engaged in direct trade with foreign countries (excepting ports in southern China, in Korea and with Vladiostock), so that the scheme is to be set aside for the present as impracticable. The only method available for our immediate purpose would be to carry into successful operation the first scheme, and thereby absorb the specie from abroad. But that scheme is not a new one. It is the scheme which the Government has had in operation hitherto and has been experimenting upon since the 10th year of Meiji (1877), and regarding which the advantages and disadvantages, as well as the conditions wherein these arise, have been thoroughly ascertained.

It is indeed true that, looked at from a theoretical point of view, the matter of foreign trade should be left to individual enterprise, without Government interference. And the scheme now suggested may be said to be contrary to the true theory of finance. Yet at the same time, it will doubtless be agreed by all men of intelligence that, under our present circumstances, the adoption of the scheme I have mentioned

above is demanded by reasons of practical necessity; and I can not help believing that your Excellencies have long since been of this opinion also. Such then being the case, it seems to me that the present scheme should be regarded as one which must of necessity be adopted.

Now in taking measures on this urgent matter, the point to which I especially wish to call your Excellencies' attention is in regard to the rules concerning the discounting of the bills of exchange. Hitherto, silk and tea have formed the two principal exports for which the bills of exchange have been discounted as a means of accumulating specie, and other miscellaneous goods came only next in the list. In making, however, a careful study of our national industry and the working of our foreign trade, it appears to me that the goods for which an indirect protection is afforded by the Government, through discounting the bills of exchange drawn on their security, ought not to be confined to silk and tea, but that rice the greatest of our products ought also to be included in the list for the above named purpose. It is indeed true, that rice is not generally regarded as occupying the same position as silk or tea in foreign trade, owing to the difficulties of its transportation and storing. But there is one thing that needs to be carefully considered in connection with this subject. Is it not true that we, as a nation, depend upon agricultural products or more specifically upon those agricultural products that are purely natural in their production, for the greater part of our national wealth? Now these being the products of nature, it will of course be impossible to assume that there will be rich crops year after year without failure; if so, tea and silk alone should not be regarded as the only sources of our national wealth. Such being the case, it will be plain that rice too should be put on the list of necessary articles which are made use of for augmenting the stock of standard money. So soon as rice is counted in the list of the articles of necessity in the above sense, measures should be taken to increase its export, at every opportunity, by every proper means, whenever there should occur a surplus in its production as the result of a plentiful harvest. And in this way, rice may be made to share with tea and silk in the work of increasing the specie reserve. This then is the reason that, after studying seriously the relations between our national resources and finance,—as well as the relation of our agricultural products, which form by far the most important portion of our national resources,—to our foreign trade, I now solicit your Excellencies' judgement in regard to putting in force the present scheme for the augmentation of the specie reserve. It is, therfore, the earnest prayer of the undersigned that your Excellencies will, by taking into careful consideration the facts and circumstances of the case, give your sanction to the scheme I herewith suggest; i. e. to engage in transactions connected with

the foreign bills of exchange, in order to secure the absorption of specie from abroad, and to regard silk, tea, rice, wheat, or minerals fit security for the bills of exchange, according to circumstances and under proper management. At the same time, it will be needless for me to say that the chances of loss and gain are inseparably connected with all business transactions, so that neither in the operations connected with the bills of exchange according to the method hitherto in vogue, nor in undertaking the work of direct exportation under the Government's immediate supervision, has the Government been free from the inevitable contingencies of loss and gain which often belie expectations. Your Excellencies will kindly remember this, in connection with the scheme contained in the present memorandum.

Accordingly the Government now introduced changes in the method of transacting foreign exchange hitherto in vogue, and on the 17th of February 1882 adopted the following new set of rules:—

The Rules for Transacting Foreign Exchange.

- Art. I. With the object of drawing in specie to the Government Treasury, the Foreign Exchange Fund shall be deposited with the Specie Bank and the said Bank shall transact foreign exchange in accordance with the following Rules.
- Art. II. The fund to be deposited as mentioned in the preceding Article shall be limited to four million yen in paper money, and be handed over to the Bank at the convenience of the Finance Department. This fund shall not be used for any other purpose, so that such portion of it as is not employed in transacting foreign exchange shall remain without interest.

The amount of deposit as provided for in the preceding paragraph shall be kept up by replacing the amounts drawn upon as soon as the report is received that the payments have been made in foreign countries on the bills of exchange discounted, as provided for in Art. V.

- Art. III. The method of transacting the business of foreign exchange shall be in accordance with the following provisions:—
 - 1. The bill of exchange shall have entered on it the amount of paper money paid over at this end, the amount to be collected at the other end (in shillings and pence or in dollars and cents) and also the rate of exchange and the time of maturity. It shall have further entered on a corner of its face the rate of

discount. The bill so prepared shall be made payable either to a resident Japanese consul or a payee appointed by the Finance Department, and be directly forwarded from the Specie Bank to such payee.

- 2. The rate of discount on the bills shall be not less than 4 per cent. per annum and not more than 6 per cent. The rate of discount which shall vary with the difference in the term of maturity, as well as the rate of exchange between this country's paper money and the paper money of a foreign country, shall both be determined with the sanction of the Finance Minister, a specially prepared statement being presented to him in each case.
- 3. In discounting the above mentioned bill of exchange the examination shall be made of the goods to be exported (i. e. the objects of security) and their invoice, and when these goods are shipped, the bill of lading and the policy of insurance thereof shall be examined, the said bill of lading and policy of insurance, being then made transferable to the consignee to be named by the consigner and being further endorsed by the said consigner with an order that the same shall be delivered to the officer in charge of the branch office of the Specie Bank in a given foreign place; and then a note containing the particulars, together with the bill of lading (under certain circumstances the policy of insurance also) shall as in the case of the bill of exchange be directly forwarded to the consul or some nominee of the Finance Department.
- 4 In forwarding the bill of exchange, it shall be witnessed by the officer despatched by the Finance Department, whose seal of examination shall be stamped in the despatch book.

As the business to be transacted by an officer despatched by the Finance Department shall be for the present entrusted to the President of the Specie Bank, when he has placed the seal of examination in the despatch book, he shall make a detailed report to the Finance Minister concerning the amount of the exchange transacted, the rate of exchange, the terms, the rate of discount, the bank's commission, etc.

- 5. As for the steps to be taken on the arrival at their destination, of the bill of exchange and the goods on whose security the bill was discounted they shall be attended to by an officer despatched by the Bank, in accordance with the instructions to the resident Japanese consul as per separate official paper.
- Art. IV. The Specie Bank shall receive as its commission 2 per cent. of the amount of the discount while the remainder shall be

received into the Government Treasury. The payment of the said commission to the Bank shall be made each month by estimating its amount on the bills that have been already forwarded, the money to be thus paid over being taken out of the Foreign Exchange Fund.

When an increase or decrease occurs in the amount of the discount as provided for in the note to Art. V, the commission provided for in the present Article shall also be increased

or decreased accordingly.

Art. V. The account for the foreign exchange transacted shall be settled on the day on which the bill is collected in a foreign country, i. e. when the money advanced is paid back to the consul or the payee nominated by the Finance Department.

When payment is made before the maturity of the bill of exchange, the amount of the discount shall be rebated by the day, also when the payment is delayed beyond the date of maturity, the additional amount of the discount shall be

charged by the day.

Art. VI. When the bill of exchange is to be discounted the question of its advisability shall be decided at the meeting of the directors of the Bank. In the meeting the inquiry shall be made concerning the business standing of the applicant, as well as the condition of the home and foreign markets, and the report concerning the decision arrived at shall be presented to the Department of Finance.

Should there be a loss as a result of transacting the foreign exchange, the bank shall be held responsible and made liable to make it good.

- Art. VII. The amount of money advanced, in the form of discounting the bill of exchange, shall not exceed eighty per cent. (eight tenths) of the total amount of the price of the goods, on the security of which the bill is discounted, and the expenses of exportation. In case, however, a rate below the above named is to be arranged owing to the nature of the goods, it shall be determined at the meeting of the Bank directors and the report concerning the decision presented to the Minister of Finance.
- Art. VIII. Should the consignee fail to pay the amount, on the receipt by the consul of the bill of exchange, the bill of lading, etc., the consul shall take the goods in custody, as well as the bill of lading, &c.; and should the consignee fail to pay at the expiration of the date of maturity, the consul shall take steps to dispose of those goods.

Art. IX. The goods shall not be delivered over to the consignee except on the payment by him of the amount of money mentioned on the bill of exchange. But in case the consigner has deposited with the Specie Bank some special object of security, such part of the goods as may be judged equal in value to the said security, (the value of the latter having been previously determined) may be delivered over to the consignee even before he pays the amount mentioned on the bill of exchange. In that case the bank shall make a detailed report concerning the matter to the Finance Department, and at the same time acquaint the consul in the foreign country with the same particulars.

As regards the special security, its treatment shall be entrusted to the Specie Bank by the Finance Department, and the Bank shall at a meeting of its directors determine the acceptability or otherwise of the said security; and should it accept the said security, the Bank shall regard the same as a deposit made by the Department of Finance.

- Art. X. The term of maturity of the foreign bill of exchange shall in no case be made longer than six months from the day the bill is discounted by the Specie Bank.
- Art. XI. It being the aim of this whole scheme to encourage the foreign trade of this country, the bill of exchange shall under all possible circumstances be discounted for a Japanese merchant. When, however, for reasons of necessity it is to be discounted for a foreign merchant a representation shall be made to the Finance Department and the special permission secured.
- Art. XII. In order to carry out the transactions set forth in the preceding Articles, the Specie Bank shall appoint special officers to have charge of the work; shall keep a special account book; shall despatch properly qualified officers in connection with this business to the important centres of trade in foreign countries; and moreover, shall keep the Finance Department and the consuls in foreign countries, acquainted with the names and copies of the seals of the chief manager and of officers sent abroad, as well as of other higher officers in charge of the business connected with the foreign exchange.

Now since these new Rules have gone into operation, the Specie Bank has come to make at the time of their exportation, a more strict examination of the goods on whose security the bills are discounted, while the consul at the place of their destination is entrusted with their supervision, so that the goods are not to be delivered until after the payments are made for the bills of exchange. In addition the bills being made payable in foreign currency at the rate previously determined in accordance with the rate of foreign exchange ruling on the day of discounting the bill, this arrangement led exporters to exercise thorough care in the choice of their goods, leaving no room for speculation on the fluctuations in the price of paper money, thus putting a complete stop to the evils of former days. To further encourage the utilization of the system of foreign exchange, it was decided in 1883 (16th year of Meiji) that thenceforward the term of maturity of the bill of exchange should be counted only from the day the goods (which were the objects of security) were shipped on board, the intervening time between this and the day the advance of money was made on the arrival of these goods at Yokohama being counted out,—a certain rate of interest by the day being charged for this intervening time; that the rate of discount should be 4 per cent. per annum, (which used to be 5 to 6 per cent, formerly) in the case of tea and silk; and that an official of the Specie Bank should be despatched to regions where tea or silk are largely produced, in order to make advances of money on the spot. Further, in 1884 the privilege of having the bills discounted was extended to foreigners also. All this tended to increase markedly the number of applicants for the discounting of the bills of exchange, a circumstance which resulted in the acquirement of a vast amount of specie in foreign countries; so that the amount thus accumulated. after being disbursed in payment for the principal and interest of foreign debts, for war vessels purchased, and for other various foreign expenses of the Government, still showed a considerable balance which was, after the month of September of 1884 (17th year of Meiji), brought home either in the shape of silver bullion, when the state of market made this advisable, or in drafts. In this way, the total amount of specie acquired through operations in foreign exchange between the 21st day of October 1881 (14th year of Meiji), and the month of March 1890 (23rd year of Meiji), reached the sum of 50,247,152 yen 70 sen and 2 rin. Something more was done, however, in accumulating specie besides the transacting of foreign exchange. The Finance Minister (Count Matsukata) now proposed, as an important means of accomplishing the same purpose, that the Government should engage in the direct exportation of rice and kombu (sea-weed) and on two different dates, namely, 14th November 1882 (15th year of Meiji) and 13th February 1883 (16th year of Meiji), he presented memorandums on this subject as follows:—

On the Exportation of Rice.

Rice being the greatest of our national products, the abundance or scarcity of its harvest and the fluctuation in its price naturally affect to no small extent the financial condition of the country. As for the occasion of a bad harvest, however, there being already in force the Law of Storing, I shall omit here a discussion on the subject. But on the other hand, I consider it a matter of great urgency at this moment to provide a means of disposing of surplus rice in a year of abundance. For, should there occur an extraordinary depreciation in the price of rice, its results would not only stop with making it difficult to raise the revenues, but would also interfere with the development of agricultural enterprises, affecting thereby the general trade and commerce of the country. For this reason it seems to me that the best means to prevent such a contingency would be to export rice to foreign countries. It so happens, however, that the work of this kind is beyond the capability of common business men; the reason being that even when the best rice in the country is exported, there is always a fear of shrinkage from rotting and other causes. In addition, the long time involved in its transportation over vast expanse of seas make the undertaking hardly ever paying in a private hand. If, however, the Government undertakes it, the apprehensions above entertained would become unnecessary. Besides, even when specie is scarce as it is to-day the Government is bound to provide specie all the same for the payment of unavoidable expenditures, such as those of the navy and army; and when the stock of specie gets low, the Government will be led to resort to some device for its acquirement, the reaction of such a course being the depreciation of paper money, and perhaps a financial crisis. For these reasons, the proper course for the Government to take now would be, it seems to me, to enlarge the list of export commodities and make every effort to absorb specie. Now the exportation to foreign countries of the surplus rice in the country would,

on one hand, provide specie for the Government expenditure and on the other protect the income of the farmers. The plan is one which involves no disadvantage but benefit only, and may indeed be regarded as a device to kill two birds with one stone. Judging, however, from the past experience, and the immediate outlook for the future, the scheme may appear to be doomed to failure. But a careful study will show that such is not the case. Suppose one koku of rice is bought at eight yen in paper and sold for five (5) yen in specie. Should the silver one yen be worth one yen seventy sen of paper money, then the selling price would really amount to eight yen and fifty sen in paper, realizing a profit of fifty sen per koku. Should, however, the silver one yen be worth one yen and fifty sen, then the transaction would involve a loss of fifty sen. Yet seeing that, notwithstanding such different results, the specie concerned remains the same i. e. five yen in each case, it does not need pointing out that, looked at from the stand point of the larger policy of the State, no judgment can readily be passed upon the profitableness or otherwise of the undertaking on the strength of such a supposition. Moreover, as there seems to be a gradual increase in the demand for Japanese rice in Western markets, owing to the gradual recognition of its superior quality; and owing to a tendency to sell at a higher price compared with rice from other countries, it would doubtless add to its reputation and popularity if considerable quantities of it should be sent abroad every year. It is needless to say, that, in striving for far-reaching consequences, with future benefit in view, an immediate achievement with small returns should not be considered; and as it is the urgent necessity of to-day to draw in specie, let what had hitherto formed the Reserve Fund be turned into a capital for making the yearly purchase of rice in suitable quantities according to the conditions of the crop and the market price, in order that the same may be exported abroad; the work of keeping accounts for the undertaking and the method of its transaction, being entrusted to the Department of Finance. Speedy sanction of the subject of this memorandum is respectfully solicited.

On the Exportation of Kombu (Sea-weed).

As provided for in the Regulations concerning the Reserve Fund, the main part of the Reserve Fund has for its primary object the acquiring of specie by exchanging it for paper money; while besides, incessant efforts are being made to gather in specie by means of operations in foreign exchange. But there are circumstances which make it impossible for us to accomplish our purpose by these means alone. While such is the case, on the other hand the Government is bent on

pushing forward the policy of army and navy expansion, which will necessarily increase the need of specie for making payments in foreign countries. All these circumstances conspire to create a greatly enlarged need for specie, so that the method hitherto relied upon for its absorption is being found to be quite inadequate to meet this enlarged need.

It is therefore hereby proposed to accomplish the object of greatly accumulating specie i. e. gold, not only by buying gold with the paper money in the Reserve Fund proper, but by sending abroad for sale all the products of the land received by the Colonial Government of the Hokkaido as taxes, and other things that may find demand abroad, in order thereby to receive payment in gold. In carrying out the above mentioned programme, however, the condition of trade of the whole world has to be constantly studied and prompt action to be taken as opportunities may arise; for the question of loss or profit often depends upon the smallest division of time. For this reason if the ordinary steps were taken of submitting in each case for sanction the questions concerning the method, rules and the amounts of money involved, etc., the opportunities would each time slip by before we could act upon it and all our plannings would end in failures. Under these circumstances, it is desirable that the whole conduct of determining upon the methods, the amount of money, etc., in connection with such undertakings as are now proposed, be left solely to the discretion of the Finance Department. It is believed that this would help greatly the work of gathering in the specie and lead to achieving favourable results in the end. The speedy sanction of the present measure is therefore respectfully solicited.

Both of the above measures were adopted in June, 1883 (16th year of Meiji), and then the work of exporting rice and Kombu by employing the Reserve Fund was commenced. The grand total of rice thus exported by utilizing the Reserve Fund amounted to 1,162,437 koku* 6 to 5 sho and 5 go (valued at yen 6,730,799.64 in cost price), while that of Kombu footed up to 48,165 koku 3 to 8 go (valued at yen 303,247.501 in cost price). In selling rice in foreign countries, the British and American coins and Mexican dollars were accepted in payment; while for Kombu Chinese Taels were accepted. And these various earnings were brought home either in the form of draft or in gold and silver bullion.

^{*} Koku = 4.9629 bushels Sho = $\frac{1}{10}$ of To

 $To = \frac{1}{10}$ of Koku $Go = \frac{1}{10}$ of Sho

The grand total of the specie which was accumulated by the Government, through the various schemes and measures above mentioned, in the interval between October, 1881 (14th year of *Meiji*), and March, 1890 (23rd year of *Meiji*), was yen 283,765,652.412; the total disbursements out of this sum amounted to yen 230,418,936.312, and the balance of yen 53,346,716.10 was applied to redeeming paper money.

In transacting foreign exchange, by utilizing the Reserve Fund in the manner already described, the Government from the beginning used the Yokohama Specie Bank as its agent for this work. But that bank being, at the start, without experience and in consequence committing all sorts of blunders in its business management, came to sustain great loss of capital by reason of vast sums of outstanding loans, so that by the end of 1881 (14th year of *Meiji*) it stood almost at the brink of bankruptcy. But the Minister of Finance at that time (Count Matsukata) came to its rescue by ordering its reorganization, the change of its officers and the amending of its By-Laws, thus effecting a through reform in its general management. And after thus reforming it, he made this Bank render the service of augmenting the amount of specie in the reserve fund.

At the close of 1885 (18th year of *Meiji*) the specie stored in the Government Treasury rose to the large sum of *yen* 42,265,640.540, as already mentioned, and thus it became possible at last to resume specie payment for paper money.

Herewith are adjoined Tables XXIV and XXV for reference concerning the subject of the present section.

TABLE XXIV.

AMOUNTS ON HAND OF THE RESERVE FUND
AT VARIOUS DATES.

	Dates	Specie	Paper Money	Total
(5 th ,, 1873 (6 th ,,	Meiji) May (Last day) ,,) Dec. (,,) ,,) Dec. (,,)	$11,231,103 \atop 14,709,800 \atop 14,819,127 \atop 191$	$\begin{array}{c} ycn \\ 99,216 \ 333 \\ 1,563,092 \ 797 \\ 1,892,526 \ 964 \end{array}$	$\begin{array}{c} yen \\ 11,330,320,212 \\ 16,272,893,301 \\ 16,711,654,155 \end{array}$
1874 (7 th ,, 1875 (8 th ,,	,,) Dec.(,,) ,,) June(,,)	18,483,983 794 19,999,508 114	1,438,138 338 4,416,748 886	19,922,122 132 24,416,257,000

Dates	Specie	Paper Money	Total	
1876 (9th year Meiji) June (Last day)	yen 19,025,550 778	yen	yen yen	
(01)		9,315,866 026	28,341,416,804	I
1877 (10th ,, ,,) June (,,)	15,332,266 636	23,699,271 423	39,031,538 059	1
1878 (11th ,,) June (,,)	14,965,891 175	36,301,089 963	51,266,981 138	1
. 1879 (12th ,, ,,) Dec. (,,)	13,988,333 886	38,298,982,684	52,287,316 570	
1880 (13th) June)	9,071,627 017	42,253,888 127	51,325,515 144	
1881 (14th ,, ,,) June (,,)	8,691,914 491	47,101,584 074	55,793,498 565	
1882 (15th ,, ,,) June (,,)	14,514,151 385	40,772,704 385	55,286,855 770	
1882 (16th ,, ,,) June (,,)	18,405,528 571	35,006,482864	53,412,011 435	
1884 (17th .,) June (.,)	28,494,024 396	18,492,168 510	46,986,192906	
1885 (18th ,,) June (.,)	38,325,178,794	8,250,118 311	46,575,297 105	
(18th ,, ,,) Dec. (,,)	42,265,640 540	6,522,044 570	48,787,685 110	
1.86 (10th ,, June (,.)	32,933,049 923	12,672,328 426	45,605,378,349	
(19 th ,, ,,) Dec. (,,)	25,865,864 215	16,271,132 035	42,136,996 250	1
1887 (20th ,, ,,) June (,,)	26,135,725,177	7,752,955 062	33,888,680 239	
(20 th ,, ,,) Dec. (,,)	19,790,388 914	6,925,823 075	26,716,211 989	
1888 (21st ,, ,,) June (,,)	16,454,112152	5,502,509 330	21,956,621 482	
(21 st ,, ,,) Dec. (,,)	8,150,822,027	12,282,259 055	20,433,081 082	
1889 (22 nd ,, ,,) June (,,)	11,143,334 785	3,867,136 465	15,010,471 250	
(22 nd ,, ,,) Dec. (,,)	10,709,953 778	3,075,420 872	13,785,374,650	
1800 23 ^{rt}) Mar ()	0	0	0	

Note:

Under the item "Specie" in the present table are contained gold and silver coins and also bullion. The currency of this country being in these years that of double standard, it should be noted that in the books of the Treasury, gold and silver yen were entered at par. Again, in the books, were not entered differences between paper yen and gold or silver. Further, in the figures under the items of "Specie" are included the cash actually in the Treasury vaults, the amount deposited with the Bank of Japan and the Specie Bank, that left in the care of Japanese Consulates in foreign lands, that advanced on bills of exchange, and that temporarily accommodated to the General Account of the Government; while in the figures under the item of "Paper Money" are included notes and copper coins, loans, land title deeds, houses, rice, kombu, shares, public loan bonds, etc. The shares include those of the Oji paper mill, which the Government bought in consequence of the failure of Ono & Co.; and those of the Marine Insurance Company; the Yokohama Specie Bank; the Bank of Japan; the Kyodo Unyu Kwaisha; - all being concerns in which the Government had become a share holder as a means of encouraging private enterprises. The Government bonds consist of those which the Government principally bought up at the time of the issue of the Hereditary Pension Bonds, in order to keep up their price. Finally the Government bonds, shares, title deeds, houses and buildings, rice and kombu are all entered at purchase prices.

TABLE XXV.

THE RECEIPTS AND DISBURSEMENTS OF SPECIE IN THE RESERVE FUND.

Between 21st October 1881 and 31st March 1890.

From October 21st 1881 to December 31st 1885.

Receipts	Dishursements
Items Amount	Items Amount
Cash on hand in specie on	Paid in drafts 14,583,773.947
October 21st 1881 (14th	Specie paid out in ex-
year of <i>Meiji</i>) 8,674,173.882	change 12,503,906.465
Foreign bills of exchange	Bullion transferred to
collected 18,424,395.245	the Mint
Drafts cashed at home 2,783,127.237	Bullion sold
Loans paid back 2,970,383.004	Paid for gold and silver
Payments received from	bullion purchased 16,737,461.184
the sale of rice and	Miscellaneous disburse-
kombu	ments 402,401.238
Specie received by ex-	
change 19,522,398.267	
Balance after settlement	
received into the Re-	
serve Fund from the	
General Account 74,379.840	
Minted coins received 19,523,832.866	
Payments received for	
advances on drafts 8,772,782.356	
Gold and silver bullion	
bought 22,834,408.802	
Payment received from	
the sale of bullion 9,070.129	
Miscellaneous receipts . 558,947.324	
Total 106,035,336.323	Total 63,769,695.783
	(Balance on hand) 42,265,640.540

From January 1st 1886 to March 31st 1890.

Receipts		Disburseme	nts
Items Paper Money Redemption Fund Foreign bills of exchange collected Drafts cashed at home Loans paid back Payments received from the sale of rice and kombut	Amount yen 1,015,234.160 28,024,396.060 356,236.757 252,645.985 3,511,254.721	Items Bullion transferred to the Mint Specie paid out in exchange Paid in drafts Paid for gold and silve bullion purchased	54,980,705.140 46,900,507.867 15,589,069.184

Receipts		Disbursements		
Items	Amount	Items	Amount	
ie received by ex-	yen	Bullion sold	4,770,074.440	
inge	32,015,465.938	Military appropriation		
and silver bullion		Advances on bills of		
rchased	50,803,119.280	exchange paid back	1,693,814.360	
e sale of bullion	190.059.441	Carried over to the General Account Loan		
ived in advance on	120,000.111	Fund	387.060	
e sold	245.750	Miscellaneous disburse-		
ed coins received	54,980,695.950	ments	320,340,346	
ected on bills of	2 402 = 40 000	Small Total	166,649,240.529	
changeellaneous receipts		Paper money redeemed	43,346,716.100	
citational receipts	100,212,211	Carried over to the Spe-	, ,	
		cial Comptabilité of the		
		Paper Money Redemp-	10,000,000,000	
		tion Fund		
		Small Total	53,346,716.100	
Total	177,730,316.089	Total	219,995,956.629	
		(Deficit)	42,265,640.540	
Grand Total 2	283,765,652.412	Grand Total	283,765,652.412	

Notes :-

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By "Foreign bills of exchange collected" is meant the amount of specie collected abroad on the bills of exchange discounted with paper money out of the Reserve Fund, through the Yokohama Specie Bank, on the security of the merchandise shipped abroad.

By "Drafts cashed at home" is meant the amount realized on drafts sent home by the Legations and Consulates abroad in payment of the money received abroad, on account of the Reserve Fund.

By "Loans paid back" is meant the sum of specie received in payment of various loans made out of the General Account, and refunded to the Reserve Fund.

By "Payments received from the sale of rice and kombu" is meant the sum of money received from the sale of rice and kombu; these articles being bought with paper money out of the Reserve Fund and then sold abroad. (Kombu was bought from the Hokkaido Colonial Government, where it was received as payment for taxes).

By "Specie received by exchange" is meant the sum of gold or silver coins gathered in, in exchange for the paper or specie out of the Reserve Fund.

By "Balance after the settlement, received into the Reserve Fund from the General Account" is meant the surplus of specie left over after balancing the General Account for the 13th, 14th and 15th fiscal years of *Meiji* (1880, 1881 and 1882).

By "Minted coins received" is meant that part of gold and silver bullion sent to the Mint which was received back after being minted into coins.

By "Payments received for advances on drafts" is meant the amount advanced out of the Reserve Fund held abroad, for making payments in drafts on account of the Government Departments, Offices, etc., and then received back in specie.

By "Gold and silver bullion bought" is meant the amount of gold and silver bullion, purchased with paper or specie in the Reserve Fund.

By "Payments received from the sale of bullion" is meant the amount of specie

received from the sale of copper bullion in the Reserve Fund.

By "Miscellaneous receipts" is meant the interest on various loans; dividends on the shares of the Yokohama Specie Bank; money realized from the renting of Government lands and houses; interest on Government bonds; profits accruing to bullion; interests on deposits; profits arising out of the exchange differences in the exchange of specie; profits on Mexican dollars loaned; profits from exporting rice, and profits from other miscellaneous sources.

By "Paper Money Redemption Fund" is meant the amount transferred from the General Account to the Reserve Fund as a fund for redeeming paper

money.

By "Paid in drafts" is meant the sum paid in drafts on foreign countries as payment for foreign debts, war vessels, etc., and on account of the Government De-

partments, Offices, etc.

By "Specie paid out in exchange" is meant the amount of gold or silver coins paid out for the General Account and Government Departments and Offices, in exchange for paper money or silver coins at the ruling rate of exchange when received.

By "Bullion transferred to the Mint" is meant the amount of gold and silver bullion belonging to the Reserve Fund, transferred to the Mint for minting into coins.

By "Bullion sold" is meant the amount of gold and silver bullion sold to the Home Department for the purpose of building the Imperial Shrine, together with the old sample coins sold to the Exchequer Bureau of the Finance Department.

By "Miscellaneous disbursements" is meant losses arising from bullion, loaus,

and exported rice, and also telegraph and postal expenses, etc.

By "Military appropriations," is meant the sum appropriated to the General Account out of the Military Section of the Reserve Fund, to be devoted to military uses.

By "Advances on bills of exchange paid back" is meant the amount paid back on the advances obtained from the General Account on bills of exchange.

By "Carried over to the General Account Loan Fund" is meant a sum due out of the money deposited with the French Legation, for the 22nd fiscal year, which being not received in time for the closing of the national exchequer for the 22nd fiscal year, was carried over to the loan fund of the General Account.

By "Paper money redeemed" is meant the amount disbursed in accordance with Ordinance No. XIV of June 1885 (18th year of Meiji), for the redemption of

paper money.

By "Carried over to the Special Comptabilité of the Paper Money Redemption Fund" is meant the amount transferred to the special account as a fund for redeeming paper money, commencing with the 23rd fiscal year, in accordance with the Law No. XXIV, of the 23rd year of Meiji (1890).

The foreign coins being not uniform in value, their calculation has been made in accordance with the "Table of values of Coins" as given in a note to "The Coinage Regulations." (For instance 1 pound sterling being made equal to 4 yen 88 sen 11 rin (gold) of our money).

CHAPTER II.

THE STATE OF AFFAIRS WHICH NECESSITATED THE COINAGE REFORM OF 1897.

The adjustment of paper currency, accomplished in 1886, prepared the country to reap all the benefits of a scientific system of coinage. The rate of interest now gradually became low, the commercial and industrial enterprises began rapidly to expand, the volume of foreign trade of the country increased greatly; in a word, there took place a marked improvement in the economic condition of the country. Yet on the other hand Japan now became a de facto silver standard country, and all the fluctuations of the price of silver in the world's market came to exercise an immediate influence on her economic and financial condition.

SECTION I.

The Depreciation of Silver and the Coinage Reforms in Foreign Countries.

Before 1873 (6th year Meiji), the price of silver did not show great fluctuations, the ratio between gold and silver standing as a rule at 1 of gold to 15.5 of silver. About 1871, however, there began to appear causes which finally led to its sudden fall in recent years. The chief among these causes were two: the greatly increased annual output of silver since 1871, and the establishment of the German Empire. The Government of the united Germany immediately took up the scheme of unifying the coinage systems in vogue in the different portions of the Empire, by replacing with gold coins the silver currency in use. It issued, therefore, a new coinage law, stopped coining standard silver pieces, and in 1873 (6th year of Meiji) put into effect the gold standard system. It soon began to sell large quantities of silver, which had the immediate effect of causing depreciation. The bimetallic countries of Europe now saw the danger of being turned into silver countries, so that they became constrained to adopt the lines of policy which had the tendency of making them gold standard countries. Now these lines of policy all

aimed at the expulsion of silver and the absorption of gold. In 1873 (6th year of Meiji), the United states of America adopted a gold standard, stopped coining silver dollars (except silver trade dollars), and limited the legal tender amount of the silver dollar to 5 dollars. France put a limit to the amount of silver deposits received at its mints; and Sweden and Norway, too, adopted a gold standard, discarding its standard silver coins, in 1874. The countries of the Latin Union also put a limit to the coining of standard silver coins, Holland stopping the free coinage of silver in 1875, and Switzerland deciding to cease entirely the minting of silver coins. In 1876 (9th year of Meiji), France, Belgium, Spain and Russia followed these examples, and the United States of America took away the legal tender qualification of the silver trade dollar. These measures all assisted to bring about the sudden fall in the price of silver, so that in 1876 the average rate for the year stood at 1 of gold to 17.88 of silver.

At this stage, the countries which had in possession large stocks of silver, or which annually produced it in large quantities, took measures intended to stop the fall of the price of silver. In 1878 (11th year of Meiji), the Government of the United States promulgated what is called the Bland Act, according to which the American Government was to buy silver, in order to coin it into money, hoping in this way to stop its depreciation. In 1890, again, this Bland Act was replaced by the Sherman Act, which authorized the Government to greatly increase the amount of its annual purchase of silver. These measures. however, did not have the least effect in checking the fall. The rate of gold and silver which was, on an average, 1 of gold to 18 of silver in 1879, became 1 of gold to over 19 of silver in 1885. After that year the fall became still more marked, so that while the average rate in 1891 was 1 of gold to 20.92 of silver, it became in 1892 1 of gold to 23.72 of silver, at last the fall reaching in 1893 the rate of 1 of gold to 26.49 of silver.

Thus the prospects of silver became daily more gloomy. This led Austro-Hungary in 1892 to adopt a gold standard and the United States of America to repeal the Sherman Act in 1893. Russia, too, though it had allowed the free coinage of silver for a time, stopped it again in 1893. In 1894, Persia took the same

course, while India placed a tariff of 5 per cent. on all the imports of silver. In 1895 Chili, and in 1896 Costa Rica, both adopted a gold standard, Russia at the same time showing signs of taking the same course. And in 1894 the fall in the price of silver reached as low a rate as 1 of gold to 32.56 of silver (being the average rate for the year).

In 1895 (28th year of Meiji), however, silver showed signs of appreciation: the average rate for that year being 1 of gold to 31.60 of silver, and the rate becoming, in 1896, 1 of gold to 30.66 of silver. Yet this appreciation was merely temporary, owing to certain obvious causes, one of which was an erroneous supposition that the Chinese Indemnity would be paid in silver, while the other was a widespread conjecture that the silver party would win in the presidential election of the United States. When, therefore, these suppositions were both proved to be unfounded, in 1897 (30th year of Meiji) silver again began to fall, reaching at the lowest point to 1 of gold to 39.70 (or more) of silver, making the average for the year 1 of gold to 34. 34 of silver.

For reference concerning the present section, Table XXVI is herewith adjoined.

TABLE XXVI.

OUT-PUT OF GOLD AND SILVER IN THE WORLD

AND THEIR RELATIVE PRICES.

Years	Out-put of gold (in ounces)	Out-put of silver (in ounces)	Month	Ratio between gold and silver (ratio of silver to 1 of gold)
1868 (1 st Meiji)	6,270,086	43,051,583	January February March April May June July August September October November December Average	15.55 15.60 15.51 15.57 15.62 15.62 15.65 15.65 15.67 15.62 15.63 15.51 15.59

January February	15.52
February	103,034
	15.49
March	15.54
April	15.57
May	15.67
June	15.68
1869 (2 nd Meiji) . 6,270,086 43,051,583 July	15.65
August	15.64
September	15.60
October	15.60
November	15.60
December	15.52
Average	15.60
(January	15.55
February	15.60
March	15.62
April	15.60
May	15.60
June	15.60
1870 (3 rd ,,) 6,270,086 43,051,583 July	15.40
August	15.59
September	15.64
October	15.60
November	15.57
December	15.57
Average	15.57
[January	15.57
February	15.57
March	15.60
April	15.66
May	15.66
June	15.59
1871 (4 th ,,) 5,591,014 63,317,014 July	15.57
August	15.54
September	15.53
October	15.60
November	15.51
December	15.53
Average	15.57

Years	Out-put of gold (in ounces)	Out-put of silver (in ounces)	Month	Ratio between gold and silver (ratio of silver to 1 of gold)
			January	15.48
			February	15.46
			March	15.51
			April	15.57
	ž.		May	15.64
			June	15.70
1872 (5 th Meiji)	5,591,014	63,317,014	July	15.68
			August	15.68
			September	15.62
t			October	15.68
			November	15.85
			December	15.80
			Average	15.63
			January	15.76
	1	4,653,675 63,267,187	February	15.76
			March	15.77
			April	15.78
			May	15.82
			June	15.87
1873 (6 th ,,)	4,653,675		July	15.86
			August	15.98
			September	15.99
			October	16.05
			November	16.25
	1		December	16.25
			Average	15.92
			January	. 16.05
			February	16.05
			March	16.00
		,	April	15.95
			May	16.06
			June	16.05
1874 (7 th ,,)	4,390,031	55,300,781	July	16.15
,,,,,			August	16.25
			September	16.34
			October	16.33
		1	November	16.25
			December	16.40
		(,	Average	16.17

Years	Out-put of gold (in ounces)	Out-put of silver (in ounces)	Month	Ratio between gold and silver (ratio of silver to I of gold)
1875 (8 th Meiji)	4,716,563	(in ounces)	January February March April May June July August September October	16.38 16.41 16.18 16.47 16.67 16.77 16.90 16.74 16.77
			November December Average	16.60 16.72 16.59
1876 (9 th ,,)	5,016,488	67,753,125	January February March April May June July August September October November December Average	16.99 17.48 17.60 17.54 17.79 18.49 19.19 18.13 18.14 17.85 17.26
1877 (10 th ,,)	5,512,196	62,679,916	January February March April May June July August September October November December Average	16.38 16.58 17.24 17.36 17.42 17.54 17.40 17.42 17.22 17.10 17.30 17.46 17.22

Years	Out-put of gold (in ounces)	Out-put of silver (in ounces)	Month	Ratio between gold and silver (ratio of silver to 1 of gold)
		(January	17.54
			February	17.27
			March	17.28
			April	17.44
			May	17.60
			June	17.80
1878 (11 th Meiji)	5,761,114	73,385,451	July	17.94
			August	17.98
			September	18.20
			October	18.66
r			November	18.65
			December	18.82
			Average	17.94
-			January	18,84
		February	18,90	
		74,383,495	March	19.02
			April	18.92
			May	18,53
			June	18.04
1879 (12 th ,,)	5,262,174		July	18.26
1010 (12 ,,)	5,252,272	, , , , , , , , , , , , , , , , , , , ,	August	18.28
			September	18.28
			October	18.02
			November	17.66
			December	17.94
		\[\ \	Average	18.40
			January	17.96
			February	18.02
			March	18.11
			April	18.13
			May	18.11
			June	17.96
1880 (13th ,,)	5,148,880	74,795,273	July	17.90
1880 (13 th ,,)	0,140,000	13,100,210	August	18.06
			September	18.02
,			October	18.06
			November	18.21
			December	18.20
			Average	18.05

Years	Out-put of gold (in ounces)	Out-put of silver (in ounces)	Month	Ratio between gold and silver (ratio of silver to 1 of gold)
		1	January	18.40
			February	18.20
			March	18.06
			April	18.11
			May	18.24
			June	18.37
1881 (14 th Meiji)	4,983,742	79,020,872	July	18.35
	, , , , , , , , , , , , , , , , , , ,		August	18.31
			September	18.22
			October	18.17
			November	18.31
			December	18.17
		(Average	18.16
		(January	18.13
		;	February	18.12
			March	18.15
			April	18.11
			May	17.09
			June	18.13
1882 (15 th ,,)	4,934,086	4,934,086 86,472,091	July	18.20
			August	18.13
			September	18.17
			October	18.22
			November	18.35
			December	18.67
			Average	18.19
			January	18.76
			February	18.65
			March	18.49
		1	April	18.65
	1		May	18.76
		1	June	18.76
1883 (16 th ,,)	4,614,588	89,175,023	July	18.76
	,		August	18.66
			September	18.58
				October
			November	18.59
			December	18.54
			Average	18.64

Years	Out-put of gold (in ounces)	Out-put of silver (in ounces)	Month	Ratio between gold and silver (ratio of silver to 1 of gold)
		6	January	18.53
			February	18.44
			March	18.51
			April	18.57
			May	18.54
			June	18.56
1884 (17th Meiji)	4,921,169	81,567,801	July	18.56
			August	18.57
			September	18.58
			October	18.59
			November	18.86
			December	18.99
		· ·	Average	18.57
		(January	18.99
		1	February	19.18
		Ma Ap Ma	March	19.22
			April	19.18
				19.15
			June	19.18
1885 (18th ,,)	5,245,572	91,609,959		19.17
1885 (18" ,,)	0,210,012	31,000,000	August	19.31
			September	19.80
			October	19.88
			November	19.88
			December	20.01
			Average	19,41
				10.11
		(January	20.17
			February	20.19
			March	20.16
			April	20.33
			May	20.76
			June	21.03
1886 (19 th ,,)	5,135,679	93,297,290	July	21.49
77	,,		August	22.28
			September	21,50
			October	20.91
			November	20.28
		4	December	20.56
			Average	20.78

Years	Out-put of gold (in ounces)	Out-put of silver (in ounces)	Month	Ratio between gold and silver (ratio of silver to 1 of gold)
1887 (20 th Meiji)	5,116,861	96,123,586	January	20.13
			February	20.21
			March	20.75
			April	21.44
			May	21.63
			June	21.44
			July	21.36
			August	21.15
			September	21.12
			October	21.35
			November	21.51
			December	21.25
			Average	21.13
1888 (21st ,,)	5,830,775	108,827,606	January	21.24
			February	21.41
			March	21.78
			April	22.10
			May	22.42
			June	22.43
			July	22.39
			August	22.44
			September	21.84
			October	21.88
			November	21.85
			December	22.18
			Average	21.99
1889 (22 nd ,,)	5,973,790	120,213,611	January	22.16
			February	22.13
			March	22.17
			April	22.35
			May	22.36
			June	22.43
			July	22.36
			August	22.26
			September	22.17
			October	21.90
			November	21.46
			December	21.44
			Average	22.10

Years	Out-put of gold (in ounces)	Out-put of silver (in ounces)	Month	Ratio between gold and silver (ratio of silver to 1 of gold)
	5,749,306	126,095,062	January February	21.19 21.41
			March	21.47
			April	21.39
			May	20.07
			June	19.75
1890 (23rd Meiji)			July	19.16
			August	17.89
			September	17.74
			October	18.97
			November	19.93
			December	19.59
		(Average	19.76
	6,320,194	187,170,919	January	19.67
			February	20.70
			March	20.98
			April	21.17
1891 (24 th ,,)			May	21.20
			June	20.97
			July	20.49
` // /			August	20.90
			September	20.95
			October	21.16
			November	21.58
			December	21.54
			Average	20.92
	7,094,266	153,151,762	January	22.01
			February	22.74
1892 (25 th ,,)			March	23.52
			April	23.87
			May	23.53
			June	23.24
			July	23.79
			August	24.62
			September	24.71
			October	24.21
			November	24.19
			December	24.59
				23.72
			Average	40.14

Years	Out-put of gold (in ounces)	Out-put of silver (in ounces)	Month	Ratio between gold and silver (ratio of silver to 1 of gold)
	7,618,811	165,472,621	January February	24.60
			March	24.74
			April	24.79
			May	24.77
			June	25.29
1893 (26 th Meiji)			July	28.52
			August	27.78
			September	27.63
			October	28.05
			November	29.25
			December	29.45
			Average	26.47
	8,764,862	164,610,394	January	30.07
			February	32.32
			March	34.56
1894 (27 th ,,)			April	32.74
			May	32.85
			June	32.87
			July	32.79
			August	32.06
			September	31.89
			October	32.29
			November	32.48
			December	33.85
			Average	32,56
	6,641,337	167,288,729	January	34.34
			February	34.19
1895 (28 th ,,)			March	33.10
			April	30.82
			May	30.72
			June	30.78
			July	30.97
			August	30.87
			September	30.92
			October	30.49
			November	30.62
			December	31.02
			Average	31.61

Years	Out-put of gold (in ounces)	Out-put of silver (in ounces)	Month	Ratio between gold and silver (ratio of silver to 1 of gold)
1896 (29 th Meiji)	9,817,991	165,100,887	January	30.76
			February	30.41
			March	30.05
			April	30,36
			May	30.34
			June	30.02
			July	29.99
			August	. 30.45
			September	31.08
			October	31.39
			November	31.51
			December	31.52
			Average	30.65
		(January	31.72
		ĺ	February	31.73
1897 (30 th ,,) 11,489,291		183,096,090	March	32.55
			April	33,28
			May	33,95
			June	34.19
			July	34.57
			August	37.63
			September	36.78
			October	35.48
			November	35.15
			December	35.19
			Average	34.34

Notes :--

1. The figures showing the out-put of gold and silver are taken from the Report of the United States' Mint for 1897.

2. Of the relative prices of gold and silver, the figures for 1868 to 1873 inclusive are based on the report of Picksley, Abel & Co., while those for 1874 and on are taken from the Report of the United States' Mint.

3. The yearly averages of the ratio between gold and silver are taken from the Report of the United States' Mint, and do not necessarily agree with averages of the monthly figures given in the Table.

SECTION II.

Circumstances which called for the coinage reform of Japan, and the results of the investigations conducted by the Coinage Investigation commission.

As was narrated in the preceding section, the depreciation of the price of silver daily grew greater and there seemed to be no end to sudden fluctuations. In consequence, foreign countries were led one by one to adopt a gold standard. Under these circumstances Japan, as a de facto silver standard country (since the establishment of the convertible paper money system in 1886), could not but suffer from this depreciation. The constant fluctuations in the rate of exchange took away from foreign trade an unchanging standard of value and prevented it from making normal and healthy growth. As a result, the price of commodities rose rapidly, the spirit of speculation became rampant, and finally the State expenditures began to increase on account of this depreciation; in a word, there took place a general derangement of the national economy. It was now feared that the further maintenance of a silver standard would be against the far-reaching interest of the country. The Finance Minister of the time, Mr. Watanabe Kunitake (now Viscount), presented a memorandum on the 11th of September, 1893, advocating the necessity of conducting investigations in regard to the monetary policy of the country, advising for that purpose the appointment of a commission. The following is the text of the memorandum:-

The recent fluctuations in the ratio between gold and silver have exerted an extraordinary influence on the economic affairs of the world, and the governments of all countries have been led to pay the greatest attention to the method of averting further calamities from the same source. In July of last year, the Austrian Government adopted a gold standard in place of the silver standard system, while the International Monetary Congress which was to meet in Brussels with the avowed object of discussing measures for the maintenance of the price of silver has not been convened. These things have tended to assist the rapid depreciation of silver. In addition to these, the Indian Government suddenly stopped the free coinage of silver, and the American Government seems to be strongly inclined to repeal the Sherman Act—in fact the bill for that object

is now under discussion in the United States Congress. It is thus inevitable that the depreciation of silver will yet continue to increase. For these reasons the ratio between gold and silver is in constant fluctuation, in some cases bringing international trade almost to a stand-still. It is but natural therefore that silver-using countries of the world should, with a view to the protection of their national interest, take steps to conduct investigations concerning the question of coinage. Some countries have already put into effect the results of such investigations.

The coinage system of our country was a gold standard according to the New Coinage Regulations of the 4th year of Meiji (1871). However, when in 1878 the 1-yen silver coin which had been coined for circulation within the limits of the treaty ports only was made legal tender throughout the country, by Imperial Ordinance No. XII of the 11th year Meiji, there came into vogue the double standard system of gold and silver. But this has further been changed and we are living now under a de facto silver standard system. For this reason these fluctuations in the price of silver exert an immense influence on the economy and finance of the country. Moreover, since the Indian Government has recently undertaken to reform its coinage the people of all classes of our country have become excited with the liveliest anxiety as to the probable future of silver coinage; discussions on the subjects are rife all over the country, and business men are in fear and trembling not knowing what course to take. For these reasons, it seems to me to be a most proper course to take for the Government to appoint a commission composed of men experienced and learned in economic matters; to instruct that commission to conduct investigations as to the causes and effects of recent fluctuations in the ratio between gold and silver, especially their effects on the past, present and future of our national economy; to make inquiries on the question whether there be need of reforming the coinage system of the country; if so what system to choose, and what means to adopt toward effecting that reform. I look forward to the time when the researches of such a commission will be completed, with hopes that the Government will then be able to pacify the present anxieties of the nation at large, as well as to fix upon a line of monetary policy to pursue at this important juncture. I adjoin herewith the draft of the Imperial Ordinance respecting the appointment of the commission and of the estimate of the expenses connected with that commission. These are now respectfully submitted for the consideration of the Cabinet.

The scheme embodied in the preceding memorandum was adopted by the Government, and the Regulations concerning the Coinage Investigation Commission were promulgated by Imperial Ordinance No. CXIII on the 14th of October 1893, (26th year of *Meiji*).

Imperial Ordinance No. CXIII of the 14th day of October, 26th year of Meiji (1893).

Regulations concerning the Coinage Investigation Commission.

- Art. I. The Coinage Investigation Commission shall be under the control of the Minister of Finance, and shall discuss and investigate on the following subjects:—
 - 1. The causes of recent fluctuations in the price of silver and their general effect.
 - 2. The effects of these fluctuations on the economic condition of our country.
 - 3. In view of these fluctuations, whether there be a need of making changes in the coinage system of the country, and if so, what system ought to be newly introduced and what means adopted for effecting that change.
- Art. II. The Coinage Investigation Commission shall consist of the following members:—
 - 1. One chairman.
 - 2. One vice-chairman.
 - 3. Twenty ordinary members.
- Art. III. The chairman, vice-chairman and ordinary members of the Commission shall be appointed from the administrative officials of the higher class, the professors of the Imperial University, the members of the Imperial Diet, and the men noted for their experience and learning in monetary matters. These appointments shall be made by the Cabinet on the recommendation of the Minister of Finance.
- Art. IV. The rules concerning the method of deliberation and business of the Commission shall be determined by the Minister of Finance.
- Art. V. The chairman shall regulate the deliberations of the Commission and make report of its resolutions to the Minister of Finance.

When the chairman is unable to attend, the vice-chairman shall take his place.

Art. VI. There shall be a secretary of the Commission who shall be appointed from the high class officials of the Finance Department.

The secretary shall regulate the business of the commission, under the direction of the chairman.

- Art. VII. There shall be clerks of the Commission, whose duties shall be to take minutes of the meetings, and otherwise attend to the business matters of the Commission, under the direction of the chairman and secretary.
- Art. VIII. The chairman, vice-chairman and secretary shall receive as remuneration not more than three hundred yen annually.

According to these Regulations the Commission was appointed, and the first thing they did was to choose a sub-committee to make preliminary researches; the result of which being reported to the Commission, the latter held several meetings in which long and exhaustive discussions took place. Finally in July, 1896, the Commission presented the report of its resolution to the Minister of Finance. The main points in that report are as follows:—

(1) The resolution respecting Item No. 1 of Art. I of Imperial Ordinance (No. CXIII of the 26th year of Meiji).

On this subject the Commission accepted the result of the researches conducted by the sub-committee, and after further investigations concerning the recent fluctuations in the ratio between gold and silver, as well as concerning the relative value of gold and silver as against commodities, gave the following nine points as the causes of recent fluctuations:—

- a. Increase in the output of silver.
- b. Reduction in the expense of producing silver.
- c. The fact that there has been less demand for silver for coinage in proportion to its increased output.
- d. Decrease of the demand for silver for works of art.
- e. The fact that the amount of silver in existence which is directly influenced by the laws of supply and demand is comparatively small, while the yearly supply of silver is comparatively large.
- f. The fact that the rate of increase in the output of gold is less than the rate of increase in the output of silver.
- g. Increased demand for gold for coinage.
- h. Increased demand for gold for works of art.
- i. Increase of the tendency to hoard gold.

In regard to the general effect of the recent fluctuations, the following resolutions were taken: first, as to their effect in silver countries; second,

in the gold countries; and third, on the economic relations between gold and silver countries.

First, as to their effects in silver countries:-

- a. Increase of exports.
- b. Rise of the price of commodities.
- e. Reduction in the liabilities of debtors and of the tax payers paying fixed rates.
- d. The prosperity in agriculture.
- e. The growth of trade.
- f. Increase of the public revenue from tax and other sources.
- g. The increased demand for labourers.
- h. Increase of the State expenditures.
- i. Sufferings of the people who live on salaries or wages.
- j. Loss to the creditors.
- k. The growth of speculative enterprises.
- l. Rise in the price of commodities imported from gold countries, and the consequent decrease of imports.

Second, as to the effects in gold countries:-

- a. Profit to the creditors.
- b. Fall in the price of commodities imported from silver countries.
- c. Reduction in the State expenditures.
- d. Fall in the price of commodities.
- e. The loss to debtors and to the tax payers paying fixed rates.
- f. The stagnation of commence and industry.
- g. Reduction in the rate of interest,
- h. Sufferings of the agricultural classes.
- i. Reduction of the public revenue from taxes and other sources.
- j. Sufferings of the employers who pay out salaries and wages.
- k. The reduced demand for labourers.
- l. Increase of the imports from silver countries.

Third, in regard to the effects on the economic relations between the gold and silver countries:—

- a. The stagnation of business transactions between the silver and gold countries.
- b. Reduction in the investment of capital made from gold countries in silver countries.
- (2) Resolutions in regard to Item No. 2 of Art. I of the Imperial Ordinance.
 - a. The increase of export.
 - b. Rise in the price of commodities.
 - c. Reduction in the liabilities of debtors and tax payers paying fixed rates.

- d. The prosperity in agriculture.
- e. The growth of trade and industry.
- j. Increase of the revenue from taxes and other sources.
- g. Increase of the demand for labourers.
- h. Increase of the State expenditures.
- i. Sufferings of the people who live on salaries and wages.
- j. Loss to the creditors.
- k. The growth of speculative enterprises.
- 1. Rise in the price of commodities imported from gold countries.
- m. Growth of habits of luxury.
- n. The free coinage at the mint acts as inducement to the importation of silver.
- o. Stagnation of the business transactions between Japan and gold countries.
- p. Reduction in the investment of capital made in this country from gold countries.

In the discussion of the question whether the recent fluctuations in the ratio between gold and silver were for the advantage or disadvantage of this country, the commission was at first divided, one part holding the opinion that the economic effect of these fluctuations was on the whole to the advantage of this country, while the other part held to the view that the effect was not for the permanent and general advantage of this country. On taking votes, however, the former opinion prevailed which was accordingly reported as the resolution of the commission.

(3) The resolutions of the commission in regard to Item No. 3 of Art. I of the Imperial Ordinance.

In regard to this item, the sub-committee took vote on the question whether there was an immediate need of making changes in the present coinage system of the country, leaving out the question whether there may not be such a need at some future time, if not now. When the commission came to take vote, however, the question was enlarged so as to include the latter question also, and the final decision was, in consequence of this enlargement of the question, contrary to the conclusion of the sub-committee and in favour of making changes. Yet with reference to the reasons for making these changes, the kind of standard to be adopted and the time and method of effecting these changes, the commission was by no means unanimous. It was, therefore, thought advisable to state separately these various opinions in the report, as also the opinion of the minority who held that there was no need of making changes, the latter being presented as a minority report.

Main outline of the opinions: -

- I. That there is need of making changes in the present coinage system.
 - 1. Its reasons:—
 - A. The advantages that may accrue to the country from the recent fluctuations in the ratio between gold and silver being limited in time and sphere, we must not be misled by the thought of these advantages but look beyond to the permanent and general good of the nation at large, and adopt a coinage system which shall be in harmony with the coinage systems of the countries in closest relation to our own.
 - B. That there are certain benefits which accrue to the country from the fluctuations in the ratio between gold and silver, we willingly grant. But on the other hand, we need to adopt a system of coinage which, while according with the traditions of the country, shall also be able to meet the need of these times in view of the changed condition of things abroad, i. e. to keep this country in accord with the economical progress made abroad and with the changes effected in the coinage systems of foreign lands.
 - C. We grant the greatness of the benefits which the country is enjoying from the recent fluctuations in the ratio between gold and silver. Yet there is a tendency abroad to bring about a reaction in the contrary direction. It will be needful, therefore, for Japan to adopt a coinage system which shall be able to meet the effects of such a reaction.
 - D. While we grant that the benefits to the country from the recent fluctuations in the ratio between gold and silver are comparatively large, yet on the other hand these fluctuations have had the effect of greatly raising the price of commodities and bringing about the present economic derangement. For this reason it will be necessary to adopt a coinage system which shall be free from these fluctuations.
 - 2. In regard to the kind of new standard to be adopted: —
 - A. The gold standard.
 - a. The unlimited circulation of silver coinage not to be permitted.
 - b. The one-yen silver coin now in circulation to be permitted to circulate without limit, at a certain fixed rate of exchange but its free coinage to be stopped.
 - B. The bi-metallic standard.
 - a. The alliance of the leading nations of the world needed for the purpose.
 - b. The alliance of the leading nations not needed.

- C. As to the mode of effecting these changes.
 - a. To begin making preparations at once with a view of realizing the scheme.
 - b. To stop for the present with making preparations only.
 - c. To wait for some future opportune moment.
- II. That there is no necessity of making changes in the present coinage system of the country. (Report of the minority).
 - The various opinions advanced in support of this proposition are:—
 - A. The advantages to the country of the effect of fluctuations in the ratio between gold and silver are great. It will be to the country's benefit to maintain the present system in the future.
 - B. Since the advantages accruing to the country from these fluctuations are great, it will be the best policy for the country to wait without making changes till the formation of an international bimetallic union and then to join that union.
 - C. We grant the advantages the country is deriving from these fluctuations, but as to the future line of policy which the country ought to pursue in regard to its coinage system, we hesitate to express any opinion.

In making the above resolutions, eight members voted for the resolution advocating the need of making changes, while seven voted for maintaining the present system unchanged. Among those who advocated the necessity of making changes, six advocated the adoption of a gold standard while two advocated a bi-metallic system.

Thus the majority of the commission were of opinion that there was a necessity of making changes in the present coinage system of the country, and the majority again of those who advocated the need of making changes were in favour of adopting a gold standard. It was thus clearly shown that the coinage reform and the adoption of a gold standard was the pressing necessity of the time. Yet the difficulty of creating at once the large gold reserve necessary in order to effect this reform kept the Government from taking steps forward in that direction, until the Chinese indemnity enabled the Government to plan for creating this necessary gold reserve.

CHAPTER III.

THE CHINESE INDEMNITY AND THE CREATION OF THE GOLD RESERVE.

The payment of the Chinese indemnity was to take place according to the provisions of the Treaty of Peace signed at Shimonoseki on the 17th day of April, 1895, and of another Treaty concerning the retrocession of the Liao-tung Peninsula signed on the 8th day of November of the same year. The articles in these treaties which bear on this subject are as follows:—

Extracts from the Treaty of Peace signed at Shimonoscki.

Art, IV. China promises to pay as indemnity for war expenses two hundred millions of Kuping taels to Japan. The said amount shall be paid in eight instalments, the first and second instalments to be of fifty million taels each. The first instalment shall be paid within six month after the ratification of this treaty, and the second instalment within twelve months after the ratification of this treaty. The rest of the indemnity shall be paid in six instalments, of which the first instalment shall be paid within two years after the ratification of this treaty; the second within three years after the ratification of this treaty; the third within four years after the ratification of this treaty; the fourth within five years after the ratification of this treaty; the fifth within six years after the ratification of this treaty; and the sixth within seven years after the ratification of this treaty. After the payment of the first instalment, the interest of five per cent. per annum shall be paid for the remaining amount of the indemnity. China may pay off at any time the entire amount of the indemnity or any part of the same before the dates agreed upon. If the payment of the entire indemnity is completed within three years after the ratification of this treaty, China shall be freed entirely from obligation to pay interest. If before such a time the interest for two years and half or for less than that period has been paid, the amount of the interest thus paid shall be counted as so much of the principal paid.

Art. VIII. China consents to the occupation by the Japanese army of Wei-hai-wei in the province of Shantung, as guarantee for

the faithful fulfilment of the terms of this treaty. If after the payment of the first and second instalments of the indemnity for war expenses according to the terms of this treaty, and also after the ratification of the Commerce and Navigation Treaty, the Chinese Government consents to make satisfactory arrangements in regard to the payment of the principal and interest of the remaining amount of the indemnity and pledges the custom duties of China as security, Japan shall withdraw its garrison from the above mentioned place. If on the contrary no such agreements are arrived at, the garrison shall not be withdrawn till the payment of the last instalment of the indemnity is over. In any case, it shall be understood that the withdrawal of the garrison shall not take place until after the ratification of the Commerce and Navigation Treaty.

Extract from the Separate Convention.

Art. I. The Japanese garrison, which is temporarily to occupy Weihai-wei according to the agreements contained in Art. VIII of the Treaty of Peace signed to-day, shall not exceed one brigade. China shall pay five hundred thousand Kuping taels annually counting from the day the said treaty is ratified, as one fourth the expense of the above-mentioned occupation.

Extract from the Treaty respecting the Retrocession of the Mukden (Liao-tung) Peninsula.

Art. II. The Chinese Government agrees to pay thirty million Kuping taels as compensation for the retrocession of the southern portion of the province of Mukden; the payment of the said sum to take place before the 16th of November, 28th year of Meiji (1895), which being the 30th day of the 9th month of the 21st year of Kwangsu.

Now while according to these agreements two hundred million taels as indemnity for war expenses and thirty million taels as compensation for the retrocession of Liao-tung Peninsula, and other payments besides, were to be received from China, the Kuping tael mentioned in the treaty was merely a name, being employed in the present case for estimating the amount in silver of the indemnity to be paid by China. In reality no coin corresponding to that name existed anywhere. It was thus left undecided in regard to the kind of money in which

the actual payment was to be made. At this time the depreciating tendency of silver was ever growing stronger, producing constant fluctuations, and the silver countries of the world either at once introduced a gold standard or made preparations to do so, and Japan too had to face the pressing question of coinage, leading to the appointment by the Government of the commission for the investigation of the coinage system of the country. Now in that commission the comparative majority of the members were in favour of adopting a gold standard, and made report accordingly to that effect. This view agreed with the opinion of the Finance Minister of the time (Count Matsukata) who felt the need of adopting a gold standard but was kept back from carrying out the plan of reform only on account of the difficulty of creating the necessary gold reserve. It occured to him now that if China would agree to pay the indemnity money in English money in London, it would not only be of convenience to China, since that country was planning to raise loans in Europe for the purpose of paying the indemnity, but also to Japan, since such a method of payment would enable the Japanese Government to create a gold reserve necessary for the adoption of the gold standard. For this reason Count Matsukata had the outline of a method and process of payment of the indemnity drawn up, and presented the document containing the said outline in May, 1895, to Count Ito (now Marquis), Minister President of State. In the following July, Count Ito communicated with Viscount Mutsu Munemitsu, Minister for Foreign Affairs, who instructed Mr. Hayashi (now Baron), Japanese Minister at the Court of Peking, to sound the Chinese Government on the subject. The Chinese Government replying in favour of making payment in London and expressing the wish to hear further particulars as to the method of making payment which would be agreeable to the Japanese Government, the Finance Minister (Count Matsukata) had the following draft of the method and process of the payment of the war indemnity drawn up to serve as a basis for negotiation with the Chinese Government and presented it to the Cabinet Council.

Drafts of the Method and Process of Payment of the War Indomnity.

It is to be preferred that the payment of the war indemnity by China should take place according to the adjoined draft No. I by first reducing once for all the entire amount of the indemnity into terms of English money, the instalments to be paid from time to time being counted on the basis of the total amount thus fixed in English money.

But if the Chinese Government will not consent to that method, then each instalment shall be separately reduced, at the rate of exchange of the time, into the terms of English money and paid in English money. This alternative method is laid down in the adjoined draft No. II. It is suggested hereby that these different methods be referred to the Chinese Government for mutual agreement.

Draft No. I on the Method and Process of Payment of the War Indemnity.

- I. The two hundred million taels (Kuping) of the war indemnity to be paid by China to the Government of Japan, shall be paid in London in English money. (The amount in English money to be fixed according to the method herewith laid down). The method of reducing Kuping tael into English money: first reduce one Kuping tael whose weight is 579.84 grains of pure silver into the silver of standard quality in London i. e. 925 fine, then reduce the entire amount of the indemnity (200 million taels) into English money at the rate of exchange, equal to the average ratio of the price of silver bullion to that of gold bullion in the London market, during the three month previous to the day the method of payment of the war indemnity is agreed to between the two Governments.
- II. The Governments of Japan and China shall appoint their ministers in London as their representatives to transact business connected with the payment of the indemnity.
- III. When the time approaches for the payment of an instalment of the indemnity, the Chinese minister shall notify each time the Japanese minister concerning the amount of instalment to be then paid and the date of its payments.

Draft No. II on the Method and Process of Payment of the War Indemnity.

I. The war indemnity to be paid by the Chinese Government to the Japanese Government shall be paid in London in English money. The method of reducing *Kuping tael* into English money

shall be as follows: first reduce one *Kuping tael* whose weight is 579.84 grains of pure silver into the standard silver of London which is 925 fine, then reduce the amount of each instalment to be paid of the war indemnity into English money at the rate of exchange, equal to the ratio of the price of silver bullion to that of gold bullion in the London market during the three months previous to the day each payment is made.

II. The Governments of Japan and China shall appoint their ministers in London as their representatives to transact business

connected with the payment of the indemnity.

III. When the time approaches for the payment of an instalment of the indemnity, the Chinese minister shall notify each time the Japanese minister concerning the amount of the instalment to be then paid and the date of its payment.

Explanation concerning the Draft No. 1.

I. That the entire amount of the indemnity (200 million *Kuping taels*) be reduced at once into English money and the instalments be paid in English money in London.

The reasons are;

It is now known that China intends to raise loans in Europe in order to provide money for the payment of the war indemnity. Now since the money thus raised would be either in English or French currency, in case China is to pay in silver as laid down in the Treaty of Peace, the Government of that county would have to buy from time to time silver bullion and have it transported to Japan. In such a case the Chinese Government would have to incur very heavy losses. To enumerate some of these:

- 1. The price of silver would rise greatly, since at the time of payment the Chinese Government would buy at once a large amount of bullion.
- 2. It would be very difficult to buy at once a large amount of silver, since the supply of silver bullion on sale in European markets would be never very large.
- 3. Much time would be lost on the way in transporting silver bullion to Japan, and China would lose the interest on the money which would otherwise accrue for those periods.
- 4. In transporting the indemnity in silver to this country, the Chinese Government would have to pay for freight, insurance, packing, commission, &c., almost 8.8 per thousand of the amount transported, which would amount to 1,760,000 taels for two hundred million taels.

- 5. If on the arrival of silver bullion in Japan, any of it be found on examination to be not up to the required standard in quality, the Chinese Government would have to make good the difference. The above reasons mostly refer to the side of China, but looked at from the standpoint of the general economical interest of the Far East there is good ground to fear that, through the transportation within so short a period of so large an amount of silver bullion from Europe to Japan, great changes would be produced in the rate of exchange and much disturbance created in the trade of the East.
- II. That in reducing Kuping toel into English money, the weight of one Kuping tael is to be fixed at 579.84 grains.

The reason for this is:

The Kuping tael is merely a name for a certain weight of silver, one Kuping tael being a certain weight fixed by the government scale at Peking, which is equal to 579.84 grains of pure silver. It is no more than a name for the purest tael of China. These statements are fully borne out by statements contained in the annual report of the Director of the United States Mints. In fact in fixing the weight of the Kuping tael in grains as stated in the text of the draft, a reference was chiefly had to the said Mint report of the United States of America.

The Government, then, after negotiating with the Chinese Government concerning the method and process of payment of the indemnity, finally agreed to fix the weight of one Kuping tael at 575.82 grains of pure silver, had the entire amount of the indemnity reduced into the terms of English money, at the ratio of 30.44292026662d. for one ounce of silver of the standard quality in London, being the average of the prices for June, July and August of 1895 (28th year of Meiji). It was further agreed between the two Governments that the payment of the indemnity should take place in London. The protocol concerning these several points agreed upon was signed between the two Governments on the 6th of October, 1895. The text of the protocol reads as follows:—

Since now the time draws near for the payment by the Chinese Government of the first instalment of the war indemnity to the Government of Japan, in accordance with the Art. IV of the Treaty of Peace concluded between those two countries on the 17th of April of the 28th

year of *Meiji* of the Japanese calender, which being the 23rd day of the third month of the 21st year of *Kwangsu*, it is hereby agreed between the two Governments in regard to the method and process of payment of indemnity in the case of the first instalment as well as in those of all succeeding ones, as follows;

- 1. For the convenience of both Governments, the two hundred million *Kuping taels* of the said indemnity shall be reduced into the terms of English money, the amount thus reduced making £32,900,980. 7s. 7d., and this sum shall be paid in English money.
- 2. The Governments of China and Japan shall appoint their ministers in London as their respective representatives for the transaction of business connected with the payment of the indemnity.
- 3. When the time draws near for the payment of each instalment, the Chinese Minister shall notify the Japanese Minister in regard to the amount of the instalment to be then paid and the date of payment.

Later the two Governments agreed to compute in English money the amount to be paid by China as compensation for the retrocession of the Liao-tung Peninsula, as well as the indemnity for the expenses of occupying Wei-hai-wei and to transact business connected with the payment of these moneys in London. The figures were as follows: 30,000,000 Kuping taels to be paid as compensation for the retrocession of Liao-tung Peninsula became £4,935,147. 1s. 1d. 779 of English money, and the annual amount to be paid for the expenses of occupying Wei-hai-wei which was to be 500,000 Kuping taels, became £82,252. 9s. 0d. 22.

There was thus opened the way for creating the gold reserve necessary for the adoption of a gold standard system, and the time seemed now ripe to carry out the plan of coinage reform.

For reference concerning this chapter, table XXVII is hereby adjoined.

TABLE XXVII.

SHOWING THE RECEIPT OF VARIOUS KINDS OF THE CHINESE INDEMNITY.

Date of reception	Kinds of indemnity	Amount in Kuping taels	Estimated in English money in which form payments were made
31st Oct. 1895 (28th Meiji)	The War indemnity	tael 50,000,000.000	£ s. d. 8,225,245.01.10.75
8th May 1896 (29th ,,)	do.	50,000,000.000	8,225,245.01.10.00
do.	Interest on the war indemnity	} 1,250,000.000	205,681.02.06.00
7th Nov.1896 (29th ,,)	do.	5,000,000.000	822,524.10.02.00
8th May 1897 (30th ,,)	The War indemnity	16,666,666.666	2,741,748.07.03.00
do.	Interest on the war indemnity	416,666.666	
8th Nov.1897 (30th ,,)	do.	4,166,666.666	685,437.01.10.00
7th May 1898 (31st ,,)	The War indemnity	72,500,000.000	11,926,605.07.09.00
То	32,900,980.07.04.75		
' 16th Nov. 1895 (28th ,,)	Compensation for the retrocession of the Liao-tung Peninsula	30,000,000.000	4,935,147.01.01.75
Total for the above two	37,836,127.08.06.50		
i 8th May 1896 (29th ,,)	Indemnity for the expenses of occupying Wei-hai-wei	500,000.000	82,252.09.00.00
8th May 1897 (30th ,,)	do.	500,000.000	82,252.09.00.00
7th May 1898 (31st ,,)		500,000.000	82,252.09.00.00
Grand	Total	231,500,000.000	38,082,884.15.06.50

Note:

The interest on the war indemnity received in four installments as given in the table, i. e. in May and November 1896 (29th Meiji) and in May and November 1897 (30th Meiji), was counted into the payments of the principal according to the provisions of Art. IV of the Treaty of Peace, since the entire amount of the indemnity was paid off on 7th May 1898 (31st Meiji), that is, within three years after the ratification of the Treaty of Peace.

CHAPTER IV. THE COINAGE LAW OF 1897.

Since now the way was opened for the creation of a gold reserve, as was narrated in the last section of the previous chapter, the Finance Minister, Count Matsukata, seeing that the time was fully ripe for putting into effect the plan of coinage reform, on the 25th February, 1897 (30th year of Meiji), submitted the drafts of the Coinage Law, with its subsidiary laws, to the Cabinet Council. The memorandum which accompanied these drafts is as follows:-

The coinage system of a country bears a very important relation to the economy and finance of that country. For this reason one of the first things the Restoration Government attempted was to reform the currency system of the country as it existed in the latter years of the Shoqunate Government. As a beginning for such an attempt the Government Mint was founded at Osaka, the New Coinage Regulations were issued in the 4th year of Meiji (1871), which were drawn up after a careful consideration of the monetary systems of different countries abroad, and it was decided to make gold the standard of the new system thus introduced. The silver yen (trade dollar) was also coined, but confined to circulation within the treaty ports. Yet the Imperial Government now newly established had not sufficient revenue to meet its necessary expenditures which were very large, so that it resorted to an over-issue of paper money as an unavoidable measure to meet the deficit. Moreover as a result of so many centuries of seclusion from the outside world, when the country was now suddenly opened to foreign intercouse, it was found that evils of all kinds were rife throughout the country, commerce and industry being in a most stagnant condition. The imports greatly exceeded the exports, which drove away the specie of the country, so that before many years were passed not a trace of gold coins could be found in the market; the foreign trade being conducted solely by means of the Mexican dollar imported by foreign merchants. The inconvenience became so great that in the 11th year of Meiji (1878), the Government legalized the circulation of the trade dollar throughout the country. The year following the Government legalized further the circulation of the trade dollar and the Mexican dollar at par, hoping in this way to relieve the distress of the time. On the other hand, however, about this time the Government issued 27 millions of paper money to meet the expenses of subduing a rebellion in South-Western provinces. Besides this large addition of paper money, there were already in circulation no less than 34 millions of the national bank notes, -this large amount having been issued in consequence of the revision in the 9th year of Meiji (1876) of the National Bank Regulations. Now this inflation of paper money naturally led to its depreciation. The price of commodities and the rate of interest rose while at the same time and at the same rate the Government loan bonds depreciated; and the excess of the imports over the exports of the country became increasingly great, the specie left the country, the people ran wild in extravagance, and the derangement of the economical and financial condition of the country became most deplorable. The Government now became fully aware of the danger the country was in, and step by step the necessary measures were put into effect for the regeneration of the economical and financial condition of the country. In the 14th year of Meiji (1881), the Government adopted measures to adjust the disordered state of business of the Yokohama Specie Bank as well as to expand the business operations of this important organ of foreign exchange. In the 15th year of Meiji (1882) the Bank of Japan was established, in order to bring about a better state of circulation of the country's currency; and the Convertible Bank Note Regulations were also promulgated in the same year. In the 16th year of Meiji (1883) the National Bank Regulations were revised, and a plan for the redemption of the national bank notes was adopted, so that the foundation was now laid for unifying the paper currency of the country. Now in regard to the redemption of paper money: of the Government paper money, the amount of the temporary issue from the paper money reserve was first withdrawn from circulation and the Government loan bonds for the exchange of paper money were issued; the measures were taken for the increase of the national revenue and much economy was practiced in the Government expenditure, the surplus thus obtained being devoted to the redemption of paper money; the Government reserve was utilized in order to absorb specie, devoting the latter to the purpose of redemption. Thus on one hand was reduced the amount of paper money in circulation, while on the other the specie reserve was increased, so that gradually the value of paper money rose, until on the 1st day of January of the 19th year of Meiji (1886), the Government was enabled to introduce the convertible system of paper money. The value of silver and paper now stood on a par, and thus one important stage was accomplished in the work of adjusting the paper money disorders. After this the economical progress of the country was rapid; trade and industry expanded, the exports always exceeded the imports, the specie yearly flowed in from foreign lands, increasing greatly the reserve fund of the Bank of Japan. As a matter of course, the financial condition of the

country also improved, so that the Government loan bonds of a high rate of interest were converted into those of a lower rate of interest, and the yearly surplus of revenue came to amount to the sum of several million yen, the total amount finally reaching to several tens of millions.

While thus one important stage was passed in the work of adjusting the currency disorders of the time, by substituting the convertible paper money system for the inconvertible one, yet this reform merely made paper convertible with silver. It was not able to bring back the country to the original position of a gold standard country. If we now extend our observation to the condition of silver in the world with reference to its price, we note the fact that its annual output has increased immensely in recent years, owing to the improved method of mining and refining, as well as to the discovery of rich silver mines, and as the consequence of these, fall and constant fluctuations in the price of silver as compared with gold. For this reason countries advanced in trade and industry, fearing sudden changes in the price of commodities as well as various inconveniences connected with silver as a medium of exchange, stopped coining silver, adopting what is popularly known as the anti-silver policy. Hence notwithstanding the increased out-put of silver, its demand for coinage purposes rather decreased, which further helped to bring about its depreciation. On the other hand all countries have vied with each other to absorb gold, this increased demand leading to the rise in its price. This rise of price was further assisted by the fact that until the recent discovery of gold mines in Africa, its annual output in the world had rather tended to decrease instead of increasing. Under these circumstances the nations of the world became divided into two camps of gold and silver countries respectively, causing no small inconvenience and loss to trade and industry. For this reason the great nations of the West have held a number of congresses for the purpose of devising some means of practically adopting gold and silver bi-metallism, hoping thus to keep up the price of silver. But they have not succeeded in coming to any agreement. The United States of America is a country having many silver mines within its dominions and as such most anxious to keep up the price of silver. It has a powerful pro-silver party, which enjoys no small political influence. For these reasons that country is the most pronounced among the countries which favour bi-metallism. and has tried twice to put into practice within that country alone the system of bi-metallism. But each time it failed to gain its ends. Seeing the failure of the United States, those countries which had been hesitating now one by one either adopted a gold standard or suspended the coining of silver, or made preparations for the adoption of a gold standard by taking measures to absorb gold and exclude silver from the

country. Now appeared on the scene in 1893, one of the two great silver using countries of the world, India, with the sudden cessation of the free coinage of silver and the adoption of the policy of making national estimates in gold instead of in silver. In our own country, we were so much absorbed for so long a time in making attempts at the reform of the system of inconvertible paper money, that we did not concern ourselves much with the silver question. But since the 19th year of Meiji (1886) when silver and paper resumed par value, the silver question suddenly came to assume importance. We now came to see that the tendency of affairs on this matter is beyond human power to modify, and that since India itself made up its mind to discard the silver standard it would no longer be wise for Japan to hesitate to take a decided step. For this reason in the autumn of the 26th year of Meiji (1893), the Government decided to appoint a commission of specialists to make inquiries respecting the questions connected with the coinage system of the country. That commission carried on its researches with great zeal, and in July of the 28th year of Meiji (1895), after more than one year's sitting, it reported in favour of reform and of adopting a gold standard, adding moreover that the commission thought it necessary for the Government to have a sufficient gold reserve before making that reform. As to the details of the report I must beg to refer to the report itself.

Such then being the tendency of affairs in the world, as well as the conclusion arrived at by the Coinage Investigation Commission, we can no longer doubt the wisdom of adopting a gold standard. We have been since then directing our efforts toward procuring gold with the object of creating a sufficiently large gold reserve, until the Treaty of Peace signed at Shimonoseki which made China pay the indemnity of two hundred million taels furnished us with the desired opportunity. And since China was under the necessity of raising loans in Europe in order to pay the indemnity, it was further stipulated between the two Governments that the payments should be made at London in gold. The Government of our country thus came to occupy a position of great advantage in regard to securing gold.

The Government can now depend upon some 33 million gold yen in the reserve fund of the Bank of Japan, and some 65 million gold yen now being transported to this country, out of the Chinese indemnity, making the total of some 98 million gold yen (which being reduced to the proposed new coinage would make some 109,400,000 yen gold). The preparation is thus complete so far as the gold reserve is concerned. No such opportunity as the present may again present itself. I earnestly hope that the Cabinet will adopt the proposed reform measure.

Now to recapitulate the main outlines of the method proposed for the

adoption of a gold standard: the chief thing is the minting of gold coin equal in value as nearly as possible to the present silver coin. In this way we will be able to avoid causing disturbance to the existing relations between creditors and debtors, in the payment of taxes and other monetary engagements already entered into. At the same time with the cessation of coining the silver yen, the convertible bank notes and the Government paper will both be made convertible with gold; the special fund for the gradual exchange and retirement of the silver yen being provided for, and subsidiary silver coins being issued as fast as the silver yen is retired. And the gold standard system will thus be inaugurated. In regard to the possibility of maintaining the gold reserve of the country, it must be remembered that the trade of this country has made within recent years very great progress. There is no question that its expansion will be equally rapid in future years. Moreover the geographical position of this country is such that, it occupies a position of great advantage in regard to procuring gold from the gold producing countries such as California and Australia.

The output of gold from China and Korea too is not inconsiderable, and it may also be made to contribute toward keeping up our gold reserve through the ordinary means of commerce. These things will show that it will not be very difficult for our country to maintain a gold standard system. Besides, the adoption of a gold standard by our country will bring our market into closer touch with the markets of Europe and America, opening up free monetary communication and increasing the volume of foreign trade of this country. Yet further, it may be noted that in competing with other gold countries in the trade with China and Korea, &c., we need not entertain very great fear of losing our ground. since our country enjoys the advantage of a better geographical position. as well as the possession of necessary means to the cheaper production of goods. On the other hand, indeed, if the depreciation of silver should get still greater, the silver countries such as China and Korea might reap a temporary advantage over us in the trade with gold countries, yet that advantage would not be permanent and not at all to be compared with the far-reaching advantages we should secure for the adoption of a gold standard. In fine, so long as the standard of coinage is fluctuating as it is to-day, no security for the economic condition of the country and no growth of foreign commerce can ever be hoped for. It is therefore highly desirable to adopt a gold standard at a time when the gold obtained through the Chinese indemnity has not left the country and before some unforeseen events happen to prevent our adoption of this reform measure. For this reason I again implore my colleagues in the Cabinet to take a decided step in favour of adopting a gold standard and to do so as soon as possible. This memorandum is presented in company with the drafts of the Coinage Law and the Special *Comptabilité* Law and other subsidiary laws.

The policy sketched in the above memorandum being adopted by the Cabinet, the Government introduced into the Diet on the 1st day of March of 1897, the drafts of the Coinage Law and other subsidiary laws. The first reading of these laws took place on the 3rd day of March. On that day, Count Matsukata, Minister of Finance, made a speech explaining the measure now introduced before the House of Representatives, which according to the record of the Diet was as follows:—

Gentlemen: I need hardly state before you that the coinage system of a country bears a very close relation to the economy and finance of that country, so that in discussing a scheme of revision of the coinage system of our country the closest attention and minutest investigation are necessary. I crave you patience while I first touch upon the system now in vogue in our country.

Omitting all records that go back to ancient times, we may assert that it was during the Keicho era (1596-1614 A.D.) that the coinage system was first brought into shape which became the basis of our present currency system. Mints were then opened by the Tokugawa Government, and gold and silver coins were issued for general circulation, so that the medium of exchange throughout the country took a definite form. The system brought into concurrent circulation gold, silver and copper. Later on, the recoining of gold and silver became frequent, and with each recoining their quality deteriorated, until finally our coinage became much debased. Moreover, the ratio between gold and silver in our country underwent frequent fluctuations, and were not in accord with the exchange rates prevailing abroad. At the time the Treaties were concluded with Western Powers (1854-1859), the ratio between gold and silver prevailing in Japan was one of gold to eight and a fraction of silver, whereas it was one to fifteen or sixteen abroad. The commercial intercourse with the outer world having been suddenly opened under such a monetary system, the exodus of gold was inevitable. The Tokugawa Government, therefore, attempted to check the efflux by changing the coinage and raising the ratio between the two metals; but as the measures adopted were merely temporary makeshifts, they utterly failed to effect their object. In the beginning of the Meiji era, the Government revised

the system of coinage and after studying the best foreign systems in the light of Japanese usages, minted new coins of a perfectly uniform quality; and by the adoption of a gold standard, the Government strenuously attempted to adjust the disorganized state of the currency and check the exodus of gold and silver from the country. Still the pressure of the Government business connected with all sorts of new undertakings, of the war measures that had to be taken, and the depletion of the Treasury, led the Government to make an increased issue of inconvertible paper money, which led once more to the exodus of specie.

It was in January of the 1st year of Meiji (1868) that the Government decided to issue paper money, being compelled to take that step on account of the financial embarrassment then reaching its culmination. The paper money (Kinsatsu or gold notes) thus issued, known as Daijo-Kwan-Satsu, were inconvertible, limited in circulation to a period of thirteen years. Subsequently the Mimbusho-Satsu (or Home Department notes) and other notes of various denominations were issued in considerable amounts. But notwithstanding the marked increase of these notes the paper currency did not depreciate for some years, since their total amount was within the business requirement of the time, and they circulated for some years at par with hard money. Still, being inconvertible notes they gradually affected the foreign trade of the country, leading to the excess of the imports over the exports and the consequent exodus of specie. Moreover, in the 9th year of Meiji (1876) the National Bank Regulations were revised and the bank notes too became inconvertible. The amount of these notes now greatly increased, rising to 34 millions of yen. The total circulation of inconvertible paper was thus enormously augmented. This increased circulation of the Government paper and national bank notes resulted in their depreciation, in the efflux of specie. in the excess of the imports over the exports, in the rise of the price of commodities and of the rate of interest, and lastly in the depreciation of the Government loan bonds. Luxurious habits now became prevalent among the people; a speculative spirit sprang up among business men; and the national economy and finance fell into a most dangerous condition. The Government therefore after a most careful consideration. elaborated a general programme of financial adjustment and resolutely put it into practice. In the 14th year of Meiji (1881), the Specie Bank was reorganized with a view to the extension of its operations as a monetary organ abroad; and in the 15th year of Meiji (1882), the Nippon Ginko (Bank of Japan) was established in order to facilitate the circulation of currency at home, while the revision of the National Bank Regulations and the promulgation of the Convertible Bank Notes Regulations in the same year both took place from the desire to reorganize and consolidate the paper currency. Moreover, all paper money temporarily issued out of the paper money reserve was withdrawn; bonds were issued in exchange for paper money (Kinsatsu); the surplus obtained through the increase of the revenue and the reduction of the expenditures was devoted to the redemption of paper money; and the Reserve Fund was employed to procure specie for augmenting the Paper Money Conversion Fund. These carefully planned measures were successfully carried out. The resumption of specie payment took place in the 19th year of Meiji (1886); and the paper money which had at one time fallen as low as 1.70 for one yen of silver was now restored to a par value, and all the incidents connected with fiat currency were thus finally brought to a close.

The amount of specie in circulation was however very small. After the legal circulation of the trade dollar was extended in scope by Imperial Ordinance No. XII of May of the 11th year of Meiji (1878), the gold standard system of the country became changed into a bi-metallic system. But since silver was used as the actual medium of exchange in all transactions, a virtual silver monometallism came to prevail, while the circulation of gold was merely nominal. Silver on the other hand has continued to fall in price since the 6th year of Meiji (1873), until it is now only one half its original value in terms of gold. In addition to its depreciation, its instability is so great that its price at any given future moment can not be counted upon.

These fluctuations in the ratio between gold and silver appear to be due first of all to the comparative output of the two metals. Of late the silver annually produced in the world has reached an enormous proportion. The production the year before last was 170 million ounces, while last year it was 200 million ounces, a figure nearly three times as large as that recorded twenty years ago. Now while the output of silver has been so rapidly increasing, the world's output of gold was only 9 million ounces year before last, and last year 10 millions, a quantity not more than double that produced twenty years ago. I may say in passing that these figures are mostly taken from the report of the Director of the United States Mints. Now this extraordinary difference in the relative outputs of these two metals has induced a corresponding divergence in their relative prices, so that their exchange ratio which was one of gold to fifteen of silver twenty years ago is now one of gold to thirty or more of silver. Though it is true that the ratio between the two metals is not determined solely by their relative outputs, but also by other artificial causes as well, still the divergence, even so far as is traceable to their comparative outputs, is remarkable enough.

The ratio between the two metals having become so changeable, those countries which had adopted a bi-metallic or a silver mono-metallic

system were now seriously embarrassed. These countries, now feeling uneasy about the prospects of silver, either rejected silver in favour of gold, or while legally retaining a bi-metallic standard, suspended the free coinage of silver and became de facto gold standard countries. Now among the coinage reforms undertaken by various countries during the recent period, say after 1873 (6th year of Meiji), we must attach the greatest importance to the monetary reform of Germany. The political confederation of the various German states had not been immediately followed by the unification of the coinage system, and there were, as was stated in the original programme of the monetary reform, at the time seven distinct systems in vogue in Germany, most of which had silver thaler for their standard. And since moreover different regions of Germany had different methods of calculation, there was experienced indescribable inconvenience in the fiscal and commercial affairs of the country. As soon as the Empire was founded, therefore, it was proposed to unify the coinage system of the Empire and in 1871 (4th year of Meiji), a notification was issued by the German Government providing for the coinage of gold. Germany had, fortunately for her, at that time acquired the enormous sum of 1,395 millions of thalers in consequence of the war with France. A gold monometallic system was introduced in July 1873 (6th year of Meiji), through appropriating, for the purpose of gold coinage, 340 million thalers of the French indemnity as well as the gold obtained through the sale of silver. Subsequently however, about 1879, these sales were suspended, owing to the great depreciation of silver. This reform of Germany's coinage system was the foremost cause, among the artificial causes, of the fluctuations in the ratio between gold and silver, and led the way to the recent sudden appreciation of gold at the expense of silver.

The introduction of gold monometallism in Germany was followed by a similar measure in Sweden and Norway. France, moreover, now put a limit to the receipt of silver at her mints. In the following year (1874), France, Italy, Switzerland and Belgium of the Latin Union mutually agreed to restrict, with the exception of subsidiary coins, the coinage of silver for three years. In 1875 (8th year of Meiji), Holland too made gold her legal tender and suspended the coinage of silver, while Switzerland although a member of the Latin Union abolished the coinage of silver for domestic circulation. In the following year, a similar course was adopted by Belgium and France. Both Spain and Russia also suspended the coinage of silver, and the United States of America demonetized that metal.

Thus the German coinage reform produced a great consternation in Europe and America, and led the countries of the West to take measures

for checking the efflux of gold and the influx of silver, with the result that the price of silver fell to an unprecedented low figure. Efforts were now made for its rehabilitation by silver-possessing countries, as well as by countries which produced silver in large quantities. The United States of America monetized it again by the Bland Act in 1878 (11th year of Meiji); but in 1885 (18th year of Meiji) that country again suspended the coinage of silver. In 1890 (23rd year of Meiji) however the Sherman Act was passed, which increased the amount of silver to be purchased by the Government. Bi-metallism was now strongly advocated and various other schemes were broached, but without success. The changes in the ratio between gold and silver became even more pronounced than ever.

In 1892 (25th year of Meiji) Austria-Hungary resolutely raised a gold loan of 183,456,000 gulden, with which the new gold krone was coined and gold monometallism was inaugurated. In 1893 (26th year of Meiji) India, a country famous for its absorption of silver, suspended the free coinage of that metal; and made the English pound sterling the legal tender throughout the country, by fixing the value of the rupee at a figure not exceeding one shilling and four pence, thus giving the silver rupee a scarcity value, that is, a sort of price fixed by law. Russia also suspended the coinage of silver and directed her efforts to the purchase of gold in both home and foreign markets, while the United States at length repealed the Sherman Act. More recently among the countries of South America, Chili became a gold standard country in 1895 (28th year of Meiji) and Costa Rica adopted the same standard last year. In the United States which has paramount interests in silver, the gold theory has now gained ground. It may thus be seen that the general tendency of the world is toward the preference of gold over silver.

Thus the various powers of Europe and America having either adopted the gold standard or in the case of those that have not adopted it taken measures for its absorption, the demand for gold coinage has of late remarkably increased. And further, since the people of all countries have come to show increased taste for it, gold has come to be used in works of art in no small amount. Being moreover of a high value in a small bulk and free from depreciation, gold has come to be hoarded in increasing amount. While these circumstances have combined to increase the demand for gold, the case is entirely the reverse with silver. Not only has the demand of silver for coinage purposes steadily decreased, but also its employment in manufactures and arts, as well as the tendency to hoard it have not kept pace with its increased supply. The absorptive power of India, too, which had shown a great partiality for silver, has undergone a change; and the uncivilized

countries which were expected to show increased demand for silver have not yet justified these expectations. Thus while the supply of gold is insufficient to meet the demand, the supply of silver is in excess of its demand; hence the appreciation of gold and the depreciation of silver are inevitable consequences.

Such being the constant fluctuations of the price of silver, the effects of which reach far and wide in a silver country like ours, the Government, by the Imperial Ordinance of October of the 26th year of *Meiji* (1893), appointed a commission for making inquiries concerning questions connected with the coinage system of the country. The principal points to be inquired into were:—

- 1. The causes of recent fluctuations in the price of silver and their general effect.
- 2. The effects of these fluctuations on the economic condition of our country.
- 3. In view of these fluctuations, whether there is the need of making changes in the coinage system of the country, and if so what system ought to be newly adopted, and what means employed for effecting that change?

The commission began its work in October of the same year and, after twenty two months of sitting, completed its investigations in July of 1895 (28th year of *Meiji*). Now, according to the report of that Commission, the members were unanimous as to the facts of the case concerning the 1st and 2nd Items put before them as subjects to be inquired into; but, when they came to set forth the practical bearings of these facts, the opinions were divided in two.

These two opinions may be summarized as follows:-

- 1. The influence of recent fluctuations in the ratio between gold and silver on the economic condition of this country has been on the whole good. Yet the fall of the price of silver and the rise of the price of commodities can not be said to be an absolutely good thing to the country. It is to be greatly feared that such a sudden depreciation of the standard coinage will in the end work damage in our economic and industrial condition. On the other hand, it can not be believed that the tendency to depreciation will continue for ever. When the advantages and disadvantages accruing respectively to Japan and the gold countries from the depreciation of silver are compared, the advantages derived by Japan are greater, and the disadvantages much less, than those derived by the gold countries.
- 2. The influence of recent fluctuations in the ratio between gold and silver on the economic condition of this country has

been, in some points good and in some other points bad. Among the advantages derived by the country may be mentioned a slight increase in the exports and certain increased liveliness in commerce and industry, while the sufferings of labouring classes and the inactive state of foreign trade must be mentioned among the disadvantages. The increased export will further lead to the importation of silver and the increase of the currency of the country, causing the rise of prices, which in turn will lead to the excess of the imports over the exports.

These things seem to show that the recent depreciation of the price of silver is not for the permanent good of the country.

The majority of the Commission was on the side of the first opinion above mentioned. In regard to the third item proposed for investigation, however, the majority of the Commission advocated the necessity of making a coinage reform; while among those who advocated reform six members were for adopting the gold standard, and but two members for the adoption of bi-metallism.

The conclusion reached by the Commission was thus for the adoption of a gold standard. Yet at the same time it was found difficult to obtain a sufficient gold reserve for the adoption of that standard, and besides, the price of commodities had not yet risen to any great extent, which still gave the country even though temporarily more or less advantage in foreign trade; for these reasons we were not yet in a position to adopt the Commission's decision.

By the Shimonoseki Treaty (1895), however, we acquired from China a war indemnity of two hundred million taels, together with the additional sum of thirty million taels in compensation for the retrocession of the Liao-tung Peninsula. As these sums were to be paid by China's raising gold loans in European markets, it was stipulated with a view to mutual convenience that Japan should receive the money in pounds sterling. The amount thus received up to the end of last year exceeded £22,400,000, and by its utilization, the Nippon Ginko's (Bank of Japan) gold reserve is expected shortly to reach the sum of over 109 millions of the new gold yen. Of that total, over 36,700,000 yen is now lying in the vaults of the Bank, and the remaining 72,600,000 yen which has been borrowed by the Government from the Bank on current account will be repaid in gold. It is further expected that the silver reserve will soon exceed 49,000,000 yen, so that the total amount of reserve of both gold and silver will reach the sum of 158,000,000 yen. Thus the gold reserve necessary for introducing gold monometallism, for the difficulty of which so much concern has hitherto been felt, may be said to be now complete.

Now, turning our attention to the price of commodities in our country, we find that right after the China war (1894-5) the prices rose all of a sudden, so that serious disadvantages were felt in our foreign trade. According to statistics the prices of commodities last year (1896) were on an average thirty per cent. higher than in 1888 (21st year of Meiji) and twenty six per cent. higher than they were immediately before the war. It may be necessary to refer here very briefly to the causes of this rise. Some have attributed this rise solely to the expansion of currency. The volume of the currency of the country it is true has expanded more or less, but when we consider the large amount of money sent to China, Korea and Formosa, and make allowance for the development of industrial and commercial enterprises throughout the country as well as the growth of foreign commerce, we can not believe that this rise of prices is solely the result of the expansion of currency. In seeking then for the principal causes of this rise of prices, we must admit that while the increase of the demand for commodities is one cause, the depreciation of silver is also another. Even granting that the causes are manifold and cannot be definitely stated, the fact must be recognized that the prices have risen remarkably, and produced results very unfavourable to our trade. The consequence is that in 1896 (29th year of Meiji),—though perhaps that year ought to be regarded as an exception, being the year after the close of the War-there occurred the astonishing excess of imports over exports to the amount of 53 million yen. I trust, gentlemen, that I have made it tolerably clear that whether we take into consideration the creation of the gold reserve or the rise of the price of commodities, the present moment offers a unique opportunity for the adoption of a gold standard. Let me proceed now to explain the plans and measures necessary for the reform of our monetary system.

In attempting the reform of our existing monetary system there are two important questions we must consider. These are: first, of what kinds shall the new gold coins be? and secondly, how shall the standard silver coin hitherto in use be disposed of? Besides, a thing to be especially borne in mind in framing the reform programme is the need of a precaution against causing disturbance in the price of commodities, in the relation between debtors and creditors, in the burden of taxation, or in any other existing relations of the community. Now such a precaution has been fully taken and it has been decided in regard to the first point mentioned above that the unit of the new coinage should be a gold one-yen exactly equal in value to the present silver yen. Then the question how to determine this gold equivalent of the silver yen, being a very important one, much consideration was devoted to the subject. It was thought by some

that an average ratio between gold and silver for several consecutive years back would answer the purpose. But it was easily seen that not only was it a very difficult matter to find an average price for a thing like silver which was subject to such sudden fluctuations, but such an average when taken would not fit in with the real economic conditions of to-day. There was therefore no other alternative but to rely upon the latest market quotations. And since the adoption by our country of gold monometallism will, if assured, tend more or less to enhance the price of gold, it will be necessary to anticipate future fluctuations by appraising gold at a slightly higher rate than it actually commands at present. The average price of silver bars in London in January of this year was at the rate of one of gold to less than 32 of silver; but it would be well to raise the rate for our purpose a little and fix it at one of gold to 32 and a fraction of silver. The old one yen gold will then become exactly double the value of the new, and that fact will afford great convenience in the concurrent circulation of the old and the new gold pieces. Our reason for determining the relative price of gold and silver by the quotation prevailing not in this country but in London is that gold currency has long since ceased to circulate here, so that its price is naturally lower than it is abroad. It may be urged by some that this appraising of gold at a higher rate, however slight, will raise the price of commodities in proportion to its excess over the actual silver price of that metal; but it does not seem to me that any such consequences will actually follow.

I feel convinced that the revision of our coinage system, if it proceed on the above lines, will not disturb the price of commodities, the rate of wages, the relation between creditors and debtors, the burden of taxation or other relationships of whatever kind.

The second point that needs to be carefully considered, as mentioned above, is the question of the disposal of the silver yen. Now the silver yen has been in universal circulation throughout the country as legal tender since the 11th year of Meiji (1878), so that it will be impossible to retire it altogether at once. It would be necessary to allow its circulation for some time to come. The plan of the Government is, however, to withdraw it from circulation as soon as possible. And since there will be coined and issued fifty sen silver coin and others of smaller denominations, to take the place of 1-yen silver coins to be retired, and since besides one yen convertible notes will be retained in circulation for some time longer, it is expected that no inconvenience will be felt on account of the retirement of the silver yen. The Government intends to reduce gradually the amount of these 1-yen convertible notes, according as their need grows less in the future.

I may here state in passing that simultaneously with the further

growth of industry in the country, which may now be confidently expected, an increased supply of subsidiary currency will become necessary, and if the silver yen retired are replaced by the subsidiary coins to be issued, it will doubtless help to keep firm the basis of our monetary system. Thus the silver yen will be withdrawn and the convertible bank note will be made exchangeable with gold, instead of silver as hitherto. Yet concerning the metallic reserve of the Bank of Japan, the plan of the Government is to allow, in imitation of the example set by the Bank of England Act, the addition of a limited amount of silver to the gold reserve, with the view to providing for future contingencies. I ought merely to mention before the House that since the existing monetary Regulations have been found to be incomplete, it is the intention of the Government to introduce several amendments, but I will not take up your time with those details since they will be duly brought to your notice through the various drafts of the Laws introduced in this connection.

I wish now to say a few words with respect to the various fears that are being entertained on the subject of coinage reform. First, it is said that the amount of the silver yen exported from this country is very great, the actual amount up to January last being over 112,000,000 yen, so that there is grave danger of these silver coins being imported back and the new gold coins exported instead. Now these silver coins exported from this country, however, have gone as is well known mostly to China where they are treated practically as bullion, their faces being so defaced in most cases that they can no longer be used as current coins at home. Actual inquiries made in China show that there are very few undisfigured ones abroad, except at Hongkong, Singapore, and the neighboring regions. And since in these places the silver yen is being used in daily transactions, I do not think it will be brought back for exchange in any large amount. Indeed I have ascertained from latest reports that the amount of the undisfigured coins is really very small. Moreover, the value of the silver yen in relation to the new gold yen will be found to be fixed at a lower figure than the current quotations. which will offer little inducement for the exchange of silver yen with gold. In a word, I am firmly convinced that the amount presented for exchange will be extremely slight, and that there will be no great drain of gold.

Some anxiety has been felt also on the possibility that ample as the gold reserve is at present, it might be found difficult to maintain it at the same figure in the future. But if no increase in the productive and exporting capacity of the country take place, similar apprehensions will have to be entertained even if we retained the silver standard. Since,

however, the past progress of our country justifies our confidence in the increasing prosperity of our trade and industry, I consider that this kind of anxiety is quite groundless. Leaving out of account such an exceptional year as the last, we find that while the average annual excess of the imports from silver using countries during the last eight years, beginning with 1888 (21st year of Meiji), was over 10,500,000 yen, the average excess of the exports to gold-using countries during the same period was over 11,000,000 yen. Thus we receive more in gold than we pay in silver; and on the assumption that this proportion will be maintained there is no cause for apprehension. Since, moreover, our country is connected on account of its geographical position with the gold producing countries like Australia and California and as gold is annually exported from China and Korea, we shall not find much difficulty in obtaining gold, if we only take the necessary steps to do so.

Secondly, anxiety is also felt in some quarters on account of our foreign trade. It is probable that the trade of our country has benefited more or less by the depreciation of silver until the extraordinary rise of prices and wages. But this can only be temporary, for such benefits will disappear when the prices and wages rise to the same extent as silver has depreciated. Remarkable as has been the recent development of our trade it is not attributable to the depreciation of silver alone, but is I believe also due to the increased facilities for transport and communication and to the progress of education. When, therefore, the price of commodities is as high as it is now, so far are we from reaping any benefits from the depreciation of silver, we are likely on the contrary to get therefrom nothing but disadvantage. Nor do I think that in our competition with gold-using countries in the trade of the silver-using countries like China, there is any danger in the event of our adopting a gold standard of our failing to retain our vantage ground with our cheaper labour and greater proximity to those Oriental markets.

Again, fears have been expressed that, in the event of a still further depreciation of silver, we would be handicapped in competing with China's silk and tea in the markets of gold countries. But it seems to me that any such disadvantage would be merely temporary and amply compensated for by the advantages of enjoying a more stable exchange rate, as well as of other permanent benefits resulting from the adoption of the gold standard. Similar fears were entertained by some members of the Indian Coinage Reform Commission; but it was ultimately decided by that commission that such fears were groundless.

It is impossible in this world in taking up any question to be absolutely free from objection. Especially is this the case with the question of coinage reform, which has been discussed in every country of the

world. The most common objection is that advanced by men who advocate the silver standard, who desire to maintain as far as possible the existing system in our country. But I have already stated quite fully the reasons which show that the further maintenance of a silver standard under the present fluctuating condition of silver would certainly obstruct the future development of our country. The next strongest opposition is offered by bi-metallists. Bi-metallism is strenuously advocated in Europe and America by many economists and by merchants engaged in Oriental trade; but it is a theory difficult to put into practice. It practically leads to the adoption of an alternate standard, and can not possibly be carried out single-handed by any one country.

I must here touch on the subject of the International Monetary Conference, which has been frequently convened with the object of upholding the price of silver and of carrying out bi-metallism. Its labours have so far been fruitless. The last conference was held at Brussels in 1892 (25th year of Meiji), at the suggestion of the United States of America, the country most directly interested in the prospects of silver, and was attended by the delegates of twenty countries; but it closed without arriving at any decision. Year before last, it was proposed to hold another International Monetary Conference; but nothing has yet come of the proposal. There is little hope, even in the event of another conference being convened, of its coming to any effective conclusion. Since moreover England, the most influential of the powers, revised the Indian coinage system in the years following that of the International Conference at Brussels, the probability of the universal adoption of bimetallism has been still further diminished. Even supposing that an international monetary union will be successfully formed on the bi-metallic basis, we shall find ourselves under no disadvantage if we have adopted the gold standard. In short, bi-metallism cannot be carried out without international cooperation; but since such cooperation is difficult to bring about, we cannot defer so important a matter as the one now under consideration, on the expectation of a mere chance of the eventual adoption of bi-metallism. From these circumstances it will be readily perceived that there is really little to justify fear or opposition.

I will now briefly recapitulate the reasons which necessitate the reform of our coinage system and the advantages accruing therefrom. The chief economic advantage lies in the freedom from fluctuations in the price of commodities. By the adoption of gold as our monetary basis, the variability of the standard to which the price of commodities is referable will be lessened, and consequently we shall become exempt from the present constant fluctuations. An unrestricted appreciation, it is true, may for a time cause an apparently prosperous state of things; but as the

prices of raw materials and wages will be gradually affected thereby, the result will be crippled production and reduced export. A sudden fall of price, on the other hand, will prove injurious to both commerce and monetary circulation. At any rate freedom from sudden fluctuations is most desirable; but such fluctuations are inevitable with the silver standard and can be, it seems to me, avoided only by the adoption of the gold standard.

The second advantage lies in the increase of the exports. If our standard is gold, there will be especial facilities in our commercial transactions with the countries having the same standard, and as the fluctuations in prices will be avoided, our productive power will be developed and our exports trade consequently augmented. There will also be the advantage arising from the diminished fluctuations of the rate of exchange. Our country is now as a silver country affected constantly by changes in the price of silver, and suffers great commercial injuries through constantly shifting rates of exchange. Such evils can be at once removed by the adoption a gold standard. Finally, there is the advantage of extending the sphere of our monetary circulation. The progress which the country is making impresses upon us more and more the necessity of holding close communications with the market of the world, but as it is present we are completely cut off from the foreign market in the matter of monetary circulation. I am however confident that the establishment of our monetary system on a gold basis will induce greater facilities of circulation between the money-markets of our country and those of Europe and America. Great convenience will also be felt in matters connected with our national finance. But the question of a monetary standard is one directly affecting national economy, so that the consideration of financial convenience ought not to form the most important reason for its determination.

Now, gentlemen, after a diligent study of our national history since the *Keicho* era, a careful survey of the actual state of affairs at home and abroad, and a prudent anticipation of the future, we propose to adopt the gold standard with a view to solidifying our monetary basis and assuring the healthy economic development of our country. An established opinion exists in the leading countries of the world with respect to the principle underlying this question. Austria has solved the problem even by raising a loan; and notwithstanding the arguments adduced more or less in favour of bi-metallism, there can not be the least doubt that the claims of gold monometallism as a practical question rest on good reasons.

Moreover, the gold which shall soon be in our possession if left uncared for will be absorbed by other countries, and when it once leave us we will find it difficult to recover. We should therefore, now that we have facilities for the absorption of gold, begin at once to carry out the new measure. Any hesitation at the present juncture would result in financial insecurity and no small injury to the country. As this is a question of such vital importance to the State, which has been already fully sifted by the Investigation Commission including in its membership several gentlemen from both Houses of the Diet, I trust that after due deliberation you will speedily approve the measure.

These bills now introduced to the House of Representatives were entrusted to a committee of twenty seven members, who approved them as a whole. The committee reported on the bill to the House on the 10th day of March. During the discussion that followed there were a few opinions advanced in opposition and some attempts were made at amendment, but in the end these bills were passed in the House as a whole, without amendment, and were forwarded duly to the House of Peers.

In the House of Peers these bills went into first reading on the 15th day of March and were entrusted to a committee of fifteen members, who reported on them to the House on the 23rd, and the bills were passed by the House of Peers also without a single amendment.

In this way were the Coinage Law and the subsidiary laws passed by the Diet, and after receiving the August Sanction were promulgated on the 26th day of March, 1897 (30th year of *Meiji*). The following are the texts of these laws:—

Law No. XVI of the 26th day of March of the 30th year of Meiji (1897)

The Coinage Law.

- Art. I. The power of minting and issuing coins belongs to the Government.
- Art. II. The weight of two fün of pure gold shall be the unit of the coinage and shall be called yen.
- Art. III. The coins shall be of nine denominations as follows:—Gold Coin—consisting of 20-yen, 10-yen and 5-yen pieces;

Silver Coin—consisting of 50-sen, 20-sen and 10-sen pieces; Nickel Coin—consisting of 5-sen pieces;

Bronze Coin—consisting of 1-sen and 5-rin pieces;

- Art. IV. The decimal method shall be followed in the calculation of coinage; one hundredth part of one yen being called sen, and one tenth part of one sen being called rin.
- Art. V. The quality of the coins shall be as follows:-
 - 1. Gold coin—900 parts of pure gold and 100 parts of copper;
 - 2. Silver coin—800 parts of pure silver and 200 parts of copper;
 - 3. Nickel coin—250 parts of nickel and 750 parts of copper;
 - 4. Bronze coin—950 parts of copper, 40 parts of tin and 10 parts of zinc.
- Art. VI. The weight of the coins shall be as follows:-
 - 1. The 20-yen gold piece shall weigh 4 momme, 4 fün, 4 rin, 4.4 mo (or grammes 16.6665);
 - 2. The 10-yen gold piece shall weigh 2 momme, 2 fün, 2 rin, 2.2 mo (or grammes 8.3333);
 - 3. The 5-yen gold piece shall weigh 1 momme, 1 fün, 1 rin, and 1.1 mo (or grammes 4.1666);
 - 4. The 50-sen silver piece shall weigh 3 momme, 5 fün, 9 rin, and 4.2 mo (or grammes 13.4783);
 - 5. The 20-sen silver piece shall weigh 1 momme, 4 fün, 3 rin, and 7.7 mo (or grammes 5.3914);
 - 6. The 10-sen silver piece shall weigh 7 fün, 1 rin, and 8.8 mo (or grammes 2.6955);
 - 7. The nickel piece shall weigh 1 momme, 2 fün, 4 rin, and 4.1 mo (or grammes 4.6654);
 - 8. The 1-sen bronze piece shall weigh 1 momme, 9 fün, and 0.8 mo (or grammes 7.1280);
 - 9. The 5-rin bronze piece shall weigh 9 fün, 5 rin and 0.4 mo (or grammes 3.5640).
- Art. VII. The gold coins shall be legal tender to any amount. The silver coins shall be legal tender up to the amount of 10 yen. The nickel and bronze coins shall be legal tender up to amount of one yen.
- Art. VIII. The forms of coins shall be fixed by Imperial Ordinance.

Art. IX. The legal limit of deviation in fineness shall be $^{1}/_{1000}$ in the case of gold coin and $^{3}/_{1000}$ in the case of silver coin.

Art. X. The legal limit of deviation in weight shall be as follows:—
20-yen gold coin—0.00864 momme (0.0324 grammes), or
0.83 momme (3.1125 grammes) for 1000 pieces;

10-yen gold coin—0.00605 momme (0.02269 grammes) or 0.62 momme (2.325 grammes) for 1000 pieces;

5-yen gold coin—0.00432 momme (0.0162 grammes), or 0.41 momme (1.5375 grammes) for 1000 pieces.

In the case of silver coin, the legal limit of deviation in weight shall be 0.02592 momme (0.0972 grammes) for each piece; or 1.24 momme (4.65 grammes) for 1000 pieces of 50-sen, 0.83 momme (3.1125 grammes) for 1000 pieces of 20-sen, and 0.41 momme (1.5375 grammes) for 1000 pieces of 10-sen.

Art. XI. The minimum circulating weights of gold coin shall be as follows:—

	momme		grammes
20-yen piece	=4.42	(or	16.575)
10-yen piece	= 2.21	(or	8.2875)
5-yen piece	= 1.105	(or	4.1438)

- Art. XII. If, in consequence of abrasion from circulation, any of the gold coins fall below the minimum circulating weight, or if any of the silver, nickel and bronze coins become visibly reduced owing to the same cause, or if coins become inconvenient for purposes of circulation, the Government shall exchange such coins for others of the same face value without making any charge.
- Art. XIII. If the design upon a coin becomes difficult to distinguish, or if it has been privately stamped or otherwise intentionally defaced, it shall no longer be treated as coin.
- Art. XIV. Should any person deposit gold bullion and apply to have it minted into gold coin, the Government shall grant the application.

Appendix:

- Art. XV. The gold coins already issued shall circulate at double the value of the gold coins to be issued under the provisions of this law.
- Art. XVI. The 1-yen silver coin hitherto issued shall be gradually exchanged for gold coin, according to the convenience of the Government, at the rate of one gold yen for one silver yen.

Pending the completion of that exchange, 1-yen silver coin shall be legal tender to any amount, at the rate of one silver yen for one gold yen; and the prohibition of their circulation shall be announced six months in advance by Imperial Ordinance. If these coins are not presented for exchange within the period of five full years, reckoning from the day on which their circulation is prohibited, they shall be regarded thenceforth as bullion.

- Art. XVII. The 5-sen silver coin and the copper coins hitherto issued shall continue in circulation as before.
- Art. XVIII. From the day of the promulgation of this law, the minting of the silver 1-yen shall cease; but this prohibition shall not apply to silver bullion deposited at the Government Mint prior to that date.
- Art. XIX. All laws or ordinances hitherto issued that conflict with the provisions of this Law are hereby rescinded.
- Art. XX. With the exception of Art. XVIII this law shall go into operation from the 1st day of October of the 30th year of Meiji (1897).

Law No. XVII of the 26th day of March of the 30th year of Meiji (1897).

Regulations concerning the Special Comptabilité of the Coinage Adjustment Fund.

- Art. I. The Government shall set apart a fund for the exchange and retirement of one yen silver coin and of coins inconvenient for circulation; the fund shall be called the Coinage Adjustment Fund, and its income and expenditures kept as special comptabilité, separate from the General Account of the Government.
- Art. II. All profits arising from seigniorage and other items at the Mint, resulting under a special *comptabilité* after the 30th year of *Meiji*, shall be turned into the Coinage Adjustment Fund.
- Art. III. When 1-yen silver coin withdrawn from circulation through exchange or other coins withdrawn from circulation on account of their inconvenience are to be sold as bullion, such sales may be transacted by the Government by any contract it may choose to enter into.
- Art. IV. At the close of each fiscal year, if there be found a surplus in the account of the Special *Comptabilité* of the Coinage Adjustment Fund, that surplus shall be added to the Fund itself.

Art. V. The Government shall make an estimate of the annual income and expenditure of the Special *Comptabilité* of the Coinage Adjustment Fund and present it to the Imperial Diet.

Art. VI. The rules concerning the income and expenditure of the Coinage Adjustment Fund shall be determined by Imperial Ordinance.

Law No. XVIII of the 26th day of March of the 30th year of Meiji (1897).

The Convertible Bank Note Regulations, issued by Imperial Ordinance No. XVIII of the 17th year of Meiji (1884), shall be amended in the following particulars:—

(1) The term "silver coin" found under Art. I shall be changed

to "gold coin."

(2) The following sentence shall be added to the 1st paragraph of Art. II:—

"The silver coins and silver bullion shall not exceed one fourth of the entire amount of the conversion reserve.

(3) The term "gold and silver coins" found under Art. VII shall be changed to "gold coins."

Appendix:

This law shall go into operation on the 1st day of October of the 30th year of *Meiji*.

Law No. XIX of the 26th day of March of the 30th year of Meiji (1897).

The term "silver coins" found in Imperial Ordinance No. XIV of the 18th year of *Meiji* (1885) shall be changed to "gold coins."

Appendix:

This law shall go into operation on the 1st day of October of the 30th year of *Meiji*.

Law No. XX of the 26th day of March of the 30th year of Meiji (1897).

Imperial Ordinance No. XXXV of the 12th year of Meiji is hereby rescinded.

Now such being the Coinage Law and the subsidiary laws, the main points in the practical scheme of executing the reform set on foot by the Finance Minister may be stated as follows:—

- I. To mint the new gold coins with gold bullion bought with the Chinese indemnity money.
- II. To exchange with gold coin the one-yen silver coins and the silver promissory notes of the Mint previously issued.

Now that gold was made the standard of coinage according to the Coinage Law, it is very clear that the silver one-yen which had hitherto occupied the position of the unit of coinage ought to be exchanged for gold coins. Should, however, the actual amount of these silver yen brought in for exchange exceed their estimated amount, it would not only be impossible to accomplish the work of exchange, but also the latter fact would at once destroy the very basis of the new coinage system. For this reason careful researches were made as to the amount of the silver yen which would be brought in for exchange with gold coins.

The estimated amounts stood as follows:-

III. As to the method of disposal of the silver yen withdrawn from circulation:

The total amount of the silver yen to be exchanged, some 79 millions in all according to the estimate in the preceding paragraph, shall be disposed of partly by minting them into subsidiary coins, according to the purposes explained under paragraph V, and partly by transporting them abroad for sale after disfiguring them so as to make them legally unfit for circulation at home.

IV. As to the disposal of the silver bullion corresponding to the promissory notes of the Mint:

Although with the promulgation of the Coinage Law

(of 1897) the further coining of silver yen was to cease, there must be provided a means for the disposal of the silver bullion corresponding to the promissory notes of the Mint. It was intended now to dispose of it in the same way as silver yen, by partly devoting it to minting subsidiary coins and partly selling it abroad.

V. To make an increased issue of subsidiary silver coins: the gold piece which would correspond to one yen if coined would be so small in weight as to be inconvenient For this reason no provision was for daily transaction. made in the Coinage Law for the minting of 1-yen gold pieces. Yet in order to keep firm the foundations of our coinage system, the people must be supplied with hard money for purposes of small daily transactions. There was therefore the more need of making an increased issue of subsidiary coins, since not only were the Government paper money and national bank notes to be retired, but the convertible one-yen notes, which were being largely used in the smaller transactions among the people, were to be reduced in amount. For these reasons it was now planned to make the increased issue of subsidiary coins, consisting of 50-sen and other smaller coins.

Such in general were the lines of policy according to which the Coinage Law was carried into operation.

CHAPTER V.

THE LAWS AND ORDINANCES RELATING TO THE CARRYING INTO OPERATION OF THE COINAGE LAW.

The Government, on the promulgation of the Coinage Law and the subsidiary laws, commenced at once to carry their provisions into effect. The Laws and Ordinances which were issued in connection with this work are given in the present chapter under different sections.

SECTION I.

Various Regulations in connection with Minting.

The Government now saw the necessity of making revisions in the Mint Regulations. It was thought best to separate the regulations concerning minting from those concerning the refining and certifying of gold and silver bullion, both of which had been mixed together in the old Mint Regulations. For this reason, the Regulations concerning Minting was issued by Imperial Ordinance No. CXXXVIII of the 30th of April 1897 (30th year of Meiji), and the Regulations concerning the Refining and certifying of Gold and Silver Bullion, by Imperial Ordinance No. CXXXXIX of the same date.

Imperial Ordinance No. CXXXVIII of the 30th day of April of the 30th year of Meiji (1897).

The Regulations Concerning Minting.

- Art. I. Any individual who desires to have gold coins minted shall deposit gold bullion at the Mint.
- Art. II. The bullion accepted at the Mint for the purpose of coinage shall contain 990 or more parts of pure gold in 1,000 and shall not contain as alloy substances injurious to minting; if however the alloy is all copper, the required fineness of the bullion may be 900 or more.
- Art. III. The bullion accepted for the purpose of coinage shall be more than 100 momme in weight. No such limitation in weight

shall apply when application for minting is made according to the provisions of the Regulations concerning the Refining and Certifying of Gold and Silver Bullion.

Art. IV. The bullion deposited at the Mint shall be first weighed in the presence of the depositor or his representative, and the

deposit certificate handed over in exchange.

Art. V. The fineness and quality of the bullion shall be determined by a proper process of testing.

- Art. VI. When the bullion has been tested, a written estimate concerning its minting, together with the table showing the result of the testing, shall be sent to the depositor.
- Art. VII. If the depositor, on receipt of the documents mentioned in the previous article, has no objection, he shall bring the deposit certificate to the Mint to be exchanged for the silver promissory notes of the Mint. If he has objections he shall make those objections known within three days; but if no such objections are raised within three days, that fact shall be interpreted to mean that the depositor has acquiesced in the result of the testing as reported by the Mint.
- Art, VIII. When the depositor, according to the provisions of the preceeding article makes known his objections, the deposited bullion shall be returned to him. In such cases the Government shall demand as a fee three yen for every 4 kwan of the bullion and for every fraction of the same.
- Art. IX. The loss from melting of the deposited bullion shall be charged to the account of the depositor.
- Art. X. No deposit of bullion shall be accepted at the Mint on general holidays, nor during the interval between the 16th of March and the 31st of the same month. Moreover, if it should be found necessary during other times to make a temporary suspension of receiving deposits, that fact shall be notified to the public by the Minister of Finance.

Appendix:

This law shall go into effect on the day of its promulgation.

Imperial Ordinance No. CXXXIX of the 30th day of April of the 30th year of Meiji (1897).

Regulations concerning the Refining, and the Issuing of Certificates as to the Quality, of Gold or Silver Bullion.

The Mint shall at the request of any individual, refine gold

or silver bullion and issue certificates as to its quality, in accordance with the provisions of these Regulations.

Art. II. The bullion deposited to be refined, or to have its quality certified, shall contain 750 parts or more of gold or silver in 1000, and be 100 momme or more in weight.

If the bullion is a mixture of gold and silver, it shall contain 750 parts or more of both metals.

- Art. III. The bullion deposited shall be weighed in the presence of the depositor or his agent, a receipt being handed over in exchange.
- Art. IV. The bullion deposited to have its quality certified shall be cast into mint-bars, and together with the certificate of its quality shall be handed over to the depositor.

When the bullion is a mixture of gold and silver, or when it can not be cast into mint-bars unless first refined, it shall be first refined, and after that its certificate made out.

- Art. V. The mint-bar of either gold or silver produced at the Mint shall be 100 momme or more in weight.
- Art. VI. When the owner of the bullion which is deposited at the Mint for the purpose of being refined desires that, in addition to its being refined, he shall receive a certificate of its quality or that the gold or silver contained in that bullion be minted into coins, such desires shall be made known when the deposit is made.
- Art. VII. When the depositor desires the bullion to be returned after being tested, without having it refined or a certificate of its quality made out, the Mint shall require the payment of a fee of two *yen* for each piece of bullion.
- Art. VIII. Any loss from melting in the weight of the bullion shall be charged to the account of its depositor.
- Art. IX. The Mint shall levy three *yen* as a fee for issuing the certificate concerning the quality of bullion, for every 4 *kwan* or its fraction in the case of gold, or for every 8 *kwan* or its fraction in the case of silver.
- Art. X. The Mint shall levy fees for refining bullion at the following rates:—

For bullion containing 950 or more parts of gold or silver in 1,000;

76 sen for each 100 momme of pure gold,

20 sen for each 100 momme of pure silver.

80 sen for each 100 momme For bullion containing 900 of pure gold, or more parts of gold or 23 sen for each 100 momme silver in 1,000; of pure silver. 91 sen for each 100 momme For bullion containing 850 of pure gold, or more parts of gold or 27 sen for each 100 momme silver in 1,000; of pure silver. 1 yen for each 100 momme For bullion containing 800 of pure gold, or more parts of gold or 32 sen for each 100 momme silver in 1,000; of pure silver. 1 yen and 10 sen for each 100

For bullion containing 750 or more parts of gold or silver in 1,000;

momme of pure gold,

38 sen for each 100 momme of pure silver.

Appendix:-

These Regulations shall go into effect on the day of their promulgation.

In accordance with the foregoing Regulations, the Government issued the Method and Processes of receiving the Deposit of Bullion and paying out Coins in Exchange, by Finance Department Notification No. XXVII; and the Method and Processes of Refining, and of the Issuing of Certificates as to the Quality, of Gold and Silver Bullion, by Finance Department Notification No. XXVIII.

These two notifications run as follows:—

Finance Department Notification No. XXVII of the 5th day of May of the 30th year of Meiji (1897).

Method and Processes of Receiving the Deposit of Bullion and Paying out Coins in Exchange.

The bullion to be deposited in accordance with the Regula-Art. I. tions concerning Minting shall be received either at the Mint at Osaka or at the Branch Office of the Mint in Tokio, according to the convenience of the depositor.

The coins to be paid out in exchange shall be delivered either at the Central Office of Nippon Ginko in Tokio or at the Branch Office of that Bank in Osaka.

Art. II. The depositor shall pay to the Mint the freight and insurance fees, in accordance with the rates, fixed with reference to the difference in the places where the deposit of bullion is received and the coins in exchange are paid out, as follows:-

The depositor who deposits bullion at the Osaka Mint and desires to have the coins delivered in Tokio,

The depositor who deposits bullion at the Branch Office of the Mint in Tokio and desires to have the coins delivered in Osaka,

Shall pay 9 sen and 5 rin for every 100 yen.

The depositor who deposits bullion at the Branch Office of the Mint in Tokio and | Shall pay 19 sen desires to have the coins delivered in (for every 100 yen. Tokio,

Art. III. The coins to be paid out in exchange for the bullion deposited shall be delivered as a rule within periods fixed as follows (when there is an over-crowding of deposited bullion, the periods may be otherwise fixed for the time being):—

The bullion fit to be immediately into turned coins, (irrespective of its quantity):

- When deposited at the Osaka Mint: 1. counting from the day after the process of testing is completed, if the coins are to be delivered in Osaka,—on the 5th day; or if the coins are to be delivered in Tokio,—on the 10th day.
- When deposited at the Branch Office of the Mint in Tokio: counting from the day after the process of testing is completed, if the coins are to be delivered in Tokio,—on the 20th day; or if the coins are to be delivered in Osaka,—on the 10th day.
- When deposited at the Osaka Mint: counting from the day after the process of testing is completed, if the coins are to be delivered in Osaka,—on the 5th day; or if the coins are to be delivered in Tokio,—on the 10th day.
- When deposited at the Branch Office of the Mint in Tokio: counting from the day after the process of testing is completed, if the coins are to be delivered in Tokio, -on the 20th day; or if the coins are to be delivered in Osaka,—on the 10th day.

The bullion requiring both analysis and refining and containing less than 5,000 yen worth of gold:

The bullion requiring both analysis and refining, and containing less than 10,000 yen worth of gold:

1. When deposited at the Osaka Mint: counting from the day after the process of testing is completed, if the coins are to be delivered in Osaka,—on the 10th day; or if the coins are to be delivered in Tokio,—on the 15th day.

2. When deposited at the Branch Office of the Mint in Tokio: counting from the day after the process of testing is completed, if the coins are to be delivered in Tokio,—on the 25th day; or if the coins are to be delivered in Osaka,—on the 15th day.

The bullion requiring both analysis and refining, and containing less than 30,000 yen worth of gold:

1. When deposited at the Osaka Mint: counting from the day after the process of testing is completed, if the coins are to be delivered in Osaka,—on the 15th day; or if the coins are to be delivered in Tokio,—on the 20th day.

2. When deposited at the Branch Office of the Mint in Tokio: counting from the day after the process of testing is completed, if the coins are to be delivered in Tokio,—on the 30th day; or if the coins are to be delivered in Osaka,—on the 20th day.

The bullion requiring both analysis and refining, and containing less than 70,000 yen worth of gold:

- 1. When deposited at the Osaka Mint: counting from the day after the process of testing is completed, if the coins are to be delivered in Osaka,—on the 20th day; or if the coins are to be delivered in Tokio,—on the 25th day.
- 2. When deposited at the Branch Office of the Mint in Tokio: counting from the day after the process of testing is completed, if the coins are to be delivered in Tokio,—on the 35th day; or if the coins are to be delivered in Osaka,—on the 25th day.

The bullion requiring both analysis and refining and containing more than 70,000 yen worth of gold:

- 1. When deposited at the Osaka Mint: counting from the day after the process of testing is completed, if the coins are to be delivered in Osaka,—on the 25th day; or if the coins are to be delivered in Tokio,—on the 30th day.
- 2. When deposited at the Branch Office of the Mint in Tokio: counting from

the day after the process of testing is completed, if the coins are to be delivered in Tokio,—on the 40th day; or if the coins are to be delivered in Osaka,—on the 30th day.

Finance Department Notification No. XXVIII of the 5th day of May of the 30th year of Meiji (1897).

Method and Processes of the Refining, and of the Issuing of Certificates as to the Quality, of Gold and Silver Bullion.

Art. I. The bullion to be deposited in accordance with the Regulations concerning the Refining, and the issuing of Certificates as to the quality, of Gold and Silver Bullion shall be received either at the Mint at Osaka, or at the Branch Office of the Mint in Tokio, according to the convenience of the depositor.

The bullion shall be returned to the depositor on being refined or on the certificate of its quality being made out, either at the Mint at Osaka or the Branch Office of the Mint in Tokio.

- Art. II. The depositor shall pay to the Mint for the freight charges and insurance fees, in accordance with the rates which are fixed with reference to the difference in the places where the deposit of bullion is received and the coins in exchange are paid out, as follows:
 - For the bullion deposited at the Mint at Osaka, and returned at the Branch Office of the Mint in Tokio,

or

For the bullion deposited at the Branch Office of the Mint in Tokio, and returned at the Mint at Osaka;

For the bullion deposited at the Branch Office of the Mint in Tokio, and returned at the same place;

- 1. In the case of gold bullion, for each 100 momme of pure gold,—23 sen, and 5 rin.
- 2. In the case of silver bullion, for each 100 momme of pure silver,—2 sen and 9 rin.
- 1. In the case of gold bullion, for each 100 momme of pure gold,—47 sen and 1 rin.
- 2. In the case of silver bullion, for each 100 momme of pure silver,—5 sen and 9 rin.

Art. III. The mint-bars corresponding to the bullion deposited, (in case the quantity does not come up to 100 momme, it shall be

returned in the shape of bullion, not being made into a bar) shall be delivered as a rule within the periods mentioned below; in case however there is an over-crowding of deposits, the periods may be differently fixed for the time being.

1. The bullion which does not require refining, counting from the day after they are deposited,—on the 7th day.

2. The bullion which require refining, within periods as stated below:—

Pure gold, in quantity less than 500 momme,

or

Pure silver, in quantity less than 10 kwan,

Pure gold, in quantity less than 1 kwan,

or

Pure silver, in quantity less than 20 kwan,

Pure gold, in quantity less than 3 kwan,

or

Pure silver, in quantity less than 60 kwan,

- 1. When deposited at the Mint at Osaka: counting from the day after the process of testing is completed, if the bars are to be delivered at the Osaka Mint,—on the 15th day; or if the bars are to be delivered at the Branch Office of the Mint in Tokio,—on the 20th day.
- 2. When deposited at the Branch Office of the Mint in Tokio: counting from the day after the process of testing is completed; if the bars are to be delivered at the Branch Office in Tokio,—on the 30th day; or if they are to be delivered at the Mint at Osaka,—on the 20th day.
- 1. When deposited at the Mint at Osaka: counting from the day after the process of testing is completed, if the bars are to be delivered at the Mint at Osaka,—on the 20th day; or if they are to be delivered at the Tokio Branch Office,—on the 25th day.
- 2. When deposited at the Tokio Branch Office: counting from the day after the process of testing is completed, if the bars are to be delivered at the Tokio Branch Office,—on the 35th day, or if the bars are to be delivered at the Osaka Mint,—on the 25th day.
- 1. When deposited at the Mint at Osaka: counting from the day after the process of testing is completed, if the bars are to be delivered at the Osaka Mint,—on the 25th day; or if they are to be delivered at the Tokio Branch Office,—on the 30th day.
- 2. When deposited at the Tokio Branch Office: counting from the day after the process of testing is completed, if the

bars are to be delivered at the Tokio Branch Office,—on the 40th day; or if they are to be delivered at the Mint at Osaka,—on the 30th day.

- When deposited at the Mint at Osaka: counting from the day after the process of testing is completed, if the bars are to be delivered at the Osaka Mint, -on the 30th day; or if they are to be delivered at the Tokio Branch Office, -on the 35th day.
 - 2. When deposited at the Tokio Branch Office:—counting from the day after the process of testing is completed, if the bars are to be delivered at the Tokio Branch Office,—on the 45th day; or if they are to be delivered at the Mint at Osaka,—on the 35th day.
 - When deposited at the Mint at Osaka: counting from the day after the process of testing is completed, if the bars are to be delivered at the Mint at Osaka,—on the 35th day; or if they are to be delivered at the Tokio Branch Office,—on the 40th day.
 - When deposited at the Tokio Branch Office: counting from the day after the process of testing is completed, if the bars are to be delivered at the Tokio Osaka,—on the 40th day.

Branch Office,—on the 50th day; or if they are to be delivered at the Mint at On the 21st of September, 1897 (30th year of Meiji), by

Finance Department Notification No. LX, there were introduced in the Method and Processes of receiving the Deposit of Bullion and of paying out Coins in Exchange, the following amendments:-

Finance Department Notification No. LX of 21st day of September of the 30th year of Meiji (1897).

Amendments introduced in the Method and Processes of receiving the Deposit of Bullion and of paying out Coins in Exchange:-

I. Under Article II, the rate of freight and insurance charges first named (i. e. 9 sen and 5 rin) shall be changed to 4 sen and 7 rin;

Pure gold, in quantity less than 7 kwan,

or

Pure silver, in quantity than 140 kwan,

Pure gold, in quantity above 7 kwan,

or

Pure silver, in quantity above 140 kwan,

and the rate second named (i. e. 19 sen) shall be changed to 9 sen and 5 rin.

- II. Under Article III, the different quantities mentioned of the pure gold contained in the bullion requiring analysis and refining shall be changed respectively as follows:—
 - (1) 5,000 yen to 10,000 yen, (2) 10,000 yen to 20,000 yen,
 - (3) 30,000 yen to 60,000 yen, (4) 70,000 yen to 140,000 yen,
 - (5) 70,000 yen to 140,000 yen.

On the 13th of February, 1899 (32nd year of *Meiji*), by Imperial Ordinance No. XXXVI, there was introduced in the Regulations concerning Minting, the following amendment:

Imperial Ordinance No. XXXVI of 13th day of February of the 32nd year of Meiji (1899).

The second article of the Regulations concerning Minting shall be amended so as to read as follows:—

Art. II. The bullion accepted at the Mint for the purpose of coinage, shall contain 990 or more parts of pure gold in 1,000, and shall not contain as alloy substances injurious to minting; if however the alloy is all copper the required fineness shall be 898 or more parts of pure gold.

On the same day as the preceding, by Imperial Ordinance No. XXXVII, there was introduced in the Regulations concerning the Refining, and the Issuing of Certificates as to the Quality, of Gold and Silver Bullion, the following amendment:

Imperial Ordinance No. XXXVII of the 13th day of February of the 32nd year of Meiji (1899).

The ninth article of the Regulations concerning the Refining, and the Issuing of Certificates as to the Quality, of Gold and Silver Bullion, shall be amended so as to read as follows:—

Art. IX. The Mint shall levy two *yen* as a fee for issuing the certificate of the quality of bullion, for every 4 *kwan* or its fraction in the case of gold, or for every 8 *kwan* or its fraction in the case of silver.

Again on the same day as the preceding, by Imperial Ordinance No. XXXVIII, a change was effected in the rate of fees for refining bullion, as follows:—

Imperial Ordinance No. XXXVIII of the 13th day of February of the 32nd year of Meiji (1899).

Concerning the rate of fees for refining bullion, as set down under Art. X of the Regulations concerning the Refining, and the Issuing of Certificates as to the Quality, of Gold and Silver Bullion, it is hereby notified that no fees shall be levied for the time being in the case of gold bullion.

SECTION II.

Regulations concerning the forms of coins.

In accordance with the provisions of the Coinage Law, (Law No. XVI) of 1897, in which it is stated under Article VIII that the forms of coins shall be determined by Imperial Ordinance, there was issued on April 15th, 1897, Imperial Ordinance No. CXLIV containing Regulations concerning the Forms of Coins. The Ordinance runs as follows:—

Imperial Ordinance No. CXLIV of the 15th day of April of the 30th year of Meiji (1897).

It is hereby ordained, in accordance with the provisions of Art. VIII of the Coinage Law, that the forms of coins shall be as follows:—



Standard Gold Coins (continued)

10-yen





Diameter (in "Kioku" shiaku)

7 bu

Weight

2 Momme, 2 fün, 2 rin, and 2.2 mo (or 8.3333 grammes)

Quality

900 parts of pure gold 100 parts of copper



5-yen



Diameter (in "Kioku" shiaku)

5 bu and 6 rin

Weight

1 Momme, 1 fün, 1 rin, and 1.1 mo (or 4.1666 grammes)

Quality

900 parts of pure gold 100 parts of copper

Subsidiary Silver Coins



50-sen



Diameter (in "Kioku" shiaku)

1 sün and 2 rin

Weight

3 Momme, 5 fün, 9 rin, and 4.2 mo (or 13.4783 grammes)

Quality

800 parts of pure silver

200 parts of copper

Subsidiary Silver Coins (continued)

20-sen





Diameter (in "Kioku" shiaku)

7 bu and 4 rin

Weight

1 Momme, 4 fün, 3 rin, and 7.7 mo (or 5.3914 grammes)

Quality

800 parts of pure silver 200 parts of copper

10-sen





Diameter (in "Kioku" shiaku)

5 bu and 8 rin

Weight

7 fün, 1 rin, and 8.8 mo (or 2.6955 grammes)

Quality

800 parts of pure silver 200 parts of copper

Subsidiary Nickel Coin

5-sen





Diameter (in "Kioku" shiaku)

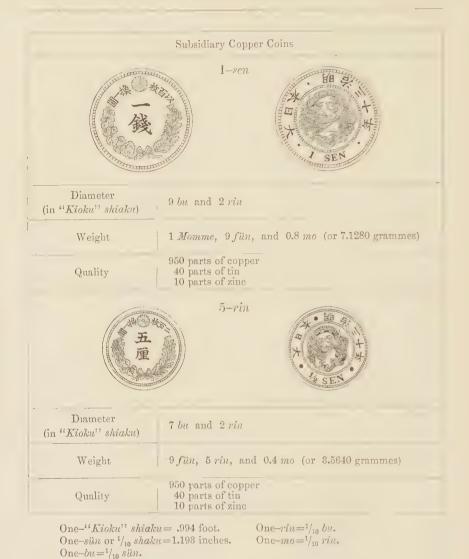
6 bu and 8 rin

Weight

1 Momme, 2 fün, 4 rin, and 4.1 mo (or 4.6654 grammes)

Quality

250 parts of nickel 750 parts of copper



In regard to the designs on the faces of these coins now to be minted in accordance with the forms as thus set down, it was determined to replace with new and more elaborate ones the designs hitherto in vogue; since the latter in the case of the gold coins left too much plain surface, which made them liable to be worn off, while in the case of the nickel coin the design was too simple altogether, which made it liable to be easily counterfeited. The designs on the two varieties of bronze coins (called copper coins in the foregoing Imperial Ordinance, i. e. No. CXLIV of 1897) had at first the same kind of designs as the copper pieces previously issued; but these designs being similar to the designs on the subsidiary silver coins,—namely of the varieties below 50-sen piece,—were liable to be fraudulently altered. For this reason, the designs on the new bronze pieces were changed by Imperial Ordinance No. CCXVII of September 20th, 1898 (31st year of Meiji), which runs as follows:—

Imperial Ordinance No. CCXVII of the 20th day of September of the 31st year of Meiji (1898).

The term "subsidiary copper coins" which occur in the Imperial Ordinance No. CXLIV of the 30th year of Meiji, concerning the Forms of Coins, shall be replaced by the term "subsidiary bronze coins," and the forms of 1-sen and 5-rin pieces therein set down shall be changed as follows:—



SECTION III.

The Regulations concerning Coins inconvenient for circulation.

In accordance with Art. XII of the Coinage Law (Law No. XVI of the 30th year of Meiji), where it is stated that the Government would exchange without fee coins inconvenient for circulation, the public was notified on the 16th of Sept-

ember of 1897 (30th year of Meiji), by Finance Department Notification No. LVIII, as to the places where the exchange would take place:—

Finance Department Notification No. LVIII of the 16th day of September of the 30th year of Meiji (1897).

The Government shall exchange the coins inconvenient for circulation, in accordance with the provisions of Art. XII of the Coinage Law, (Law No. XVI of the 30th year of Meiji), at the Central Government Treasury in Tokio, and also at the Government Treasury in Osaka. At other Government Treasuries, if the application is made, the officials shall accommodate the applicant by getting the coins exchanged at the two places named above.

SECTION IV.

Regulations concerning the exchange of 1-yen silver coins.

In accordance with the Article XVI of the Coinage Law (Law No. XVI of the 30th year of Meiji), where it is provided that 1-yen silver coins shall be exchanged gradually, at the rate of 1-yen gold for 1-yen silver, the Government now issued Regulations concerning the exchange of 1-yen silver coins, by Finance Department Notification No. LXI of September 21st, 1897. The Regulations run as follows:—

Finance Department Notification No. LXI of the 21st day of September of the 30th year of Meiji (1897).

From the 1st day of October this year, 1-yen silver coins hitherto issued shall be gradually exchanged with gold coins; persons desirous of having them thus exchanged may apply at the Central Government Treasury. The application may be made at the Yokohama Specie Bank and its branch office at Kobe, both of which act as agencies for the Nippon Ginko, and the Government Treasuries in different parts of the country, where the officials in charge will accommodate the applicants by getting the coins exchanged at the Central Treasury.

In regard to the circulation of 1-yen silver coins there was issued on the 18th September, 1897, Imperial Ordinance No. CCCXXXVIII, as follows:—

Imperial Ordinance No. CCCXXXVIII of the 18th day of September of the 30th year of Meiji (1897).

The circulation of 1-yen silver coins hitherto issued is prohibited after the 1st day of April of the 31st year of Meiji (1898).

While the circulation of 1-yen silver coins was thus to cease altogether on April 1st, 1898, a term of full five years after those coins ceased to circulate was allowed for making their exchange. Yet on the other hand, when the actual state of affairs was studied soon after they ceased to circulate, as well as the state of affairs since October of the previous year (1897) at which date the Government had begun to make the exchange, it was seen that the work of exchange had progressed with unexpected speed, so much so that there was no need to further continue making the exchange. In fact, there was not only no need but some danger that, if the five-year period was allowed to remain, counterfeit 1-yen pieces might be imported from abroad. For these reasons, already at the end of 1897 Count Matsukata, Finance Minister at that time, presented to the Cabinet a draft of the law for the shortening of the period allowed for the exchange of 1-yen silver coins. Yet owing to the dissolution of the Imperial Diet, that draft was never laid before the Houses. When Count Inouye succeeded Count Matsukata as Finance Minister, he also saw the need of cutting short the five-year period, and the draft of the law to that effect laid before the extraordinary meeting of the Diet was passed by both Houses. The draft became Law No. V of the 10th of June of the 31st year of Meiji, and runs as follows:-

Law No. V of the 10th day of June of the 31st year of Meiji (1898).

No exchange of 1-yen silver coins shall take place after the 31st day of July of the 31st year of Meiji (1898).

While it had been the rule hitherto to exchange 1-yen silver pieces only with gold coins, and transact the business

connected with that exchange only at the Central Treasury (the Treasuries in different parts of the country simply accommodating themselves in assisting the applicants to get the exchange made at the Central Government Treasury), the Government regarded it necessary to make certain changes in connection with the process of exchange, in order to make sure that there should be no 1-yen silver coins left over unexchanged on account of the shortening of the five-year period. These changes were embodied in Finance Department Notification No. XLIX of June 15th, 1898, and are as follows:—

Finance Department Notification No. XLIX of the 15th day of June of the 31st year of Meiji (1898).

- I. Any person desirous of getting the 1-yen silver coin exchanged for any kind of currency may apply during the period allowed for its exchange at any of the Government Treasuries and Sub-Treasuries.
- II. The 1-yen silver coin may be used in the payment of taxes or in otherwise making payment to the Government during the period allowed for its exchange.

SECTION V.

Rules for the Special Comptabilité of the Coinage Adjustment Fund.

With the object of facilitating the exchange and with-drawal from circulation of the 1-yen silver coin, there was issued by Law No. XVII of the 30th year of Meiji, Regulations Concerning the Special Comptabilité of the Coinage Adjustment Fund. In Article VI of those Regulations, it is stated that the Government shall further make rules concerning the receipts and expenditures of that fund. In accordance with these provisions there was issued on April 24th, 1897, by Imperial Ordinance No. CXXVIII of the 30th year of Meiji, the Rules for the Special Comptabilité of the Coinage Adjustment Fund, which run as follows:—

Imperial Ordinance No. CXXVIII of the 24th day of April of the 30th year of Meiji (1897).

Rules for the Special Comptabilité of the Coinage Adjustment Fund.

- Art. I. The income of the Coinage Adjustment Fund shall consist of the moneys received from the sale of bullion, and its expenditures shall consist of the amounts disbursed in making the exchange of coins.
- Art. II. The Minister of Finance shall annually prepare an estimate of incomes and expenditures concerning the Fund, as also the settled account of the same, and take steps to present them both before the Imperial Diet.
- Art. III. The 31st day of March shall be the last day on which the incomes are received and the orders for payments are issued for each fiscal year.
- Art. IV. The Minister of Finance shall prepare after the close of each fiscal year, i.e. after the 31st day of March, a balance sheet of incomes and expenditures for the fiscal year just closed, and subjoin it to the estimates of the incomes and expenditures, i.e. for the year after next.
- Art. V. The following items shall be set down as belonging to the income side in the account of Incomes and Expenditures.
 - 1. Incomes actually received.
 - 2. Incomes not yet actually received.
 - 3. Cash belonging to the Fund, transferred from the account of the previous year.
 - 4. Amount received on account of seigniorage and other items of profit at the Government Mint.
 - 5. Value of the entire amount of bullion.
- Art. VI. The following items shall be set down as belonging to the expenditure side in the account of the Incomes and Expenditures:—
 - 1. Items of expenditures that have been actually paid out.
 - 2. Amount of the Fund.
 - 3. Value of bullion sold whose price has been paid in.
 - 4. Value of bullion sold whose price has not yet been paid in.
- Art. VII. After balancing the amounts of total incomes and expenditures, if there is a surplus, that surplus shall be added to the Fund, but if there is a deficit in the income, that deficit shall be made good from the Fund.

Art. VIII. In matters concerning the management of the Fund which are not expressly provided for in these Rules, the Rules for the General *Comptabilité* of the Government shall apply.

On the 26th of November of the same year, by Imperial Ordinance No. CCCCXIX the following amendment was introduced in the foregoing Rules:—

Imperial Ordinance No. CCCCXIX of the 26th day of November of the 30th year of Meiji (1897).

Under Article I, of the Rules for the Special Comptabilité of the Coinage Adjustment Fund, the following phrase shall be added at the close of the paragraph:—

As well as in defraying the expenses connected with such exchange.

On the 5th of April, 1898, by Imperial Ordinance No. LXX of the 31st year of *Meiji*, Art. I of the foregoing Rules was further amended, so as to read as follows:—

Imperial Ordinance No. LXX of the 5th day of April of the 31st year of Meiji (1898).

Art. I. The income of the Coinage Adjustment Fund shall consist of the moneys received from the sale of bullion, and its expenditure shall consist of the amounts disbursed in making the exchange of coins as well as in defraying the expenses connected with such exchange and the sale of bullion.

In this way 1-yen silver coins, when withdrawn from circulation, were put into the account of the special comptabilité of the Coinage Adjustment Fund at their face value, and they were sold as bullion on account of that special comptabilité; the expenses and losses connected with their sale being made good out of the seigniorage and other items of profit at the Government Mint.

CHAPTER VI.

IMPORTATION OF A PORTION OF THE CHINESE INDEMNITY;
MEASURES WHICH WERE TAKEN TO CONVERT THE
IMPORTED BULLION INTO COINS TO BE RESERVED FOR
THE EXCHANGE OF THE SILVER YEN.

The reasons for the decision to receive the indemnity money due from China in English currency at London have already been stated in Chapter III. When in the month of October, 1895 (28th year of Meiji), the first instalment of the Indemnity was received in London, the event at once created a lively interest in European markets as to what policy the Japanese Government was going to pursue in regard to this money. In some quarters it was presumed that we would purchase silver and ship it home, so that as a result of that supposition silver suddenly began to show a tendency to rise in price. Various other rumours were also circulated with equal activity. For these reasons, the then Minister of Finance, Viscount Watanabe, concluded that to commence the shipment home of the Indemnity money at this juncture would be to further encourage fluctuation in the price of silver. Such a shipment at that time would particularly have disturbed the money market, and proved injurious to our foreign trade, it being just during that time of year, i. e. from the latter half of any year to the following February, that the export of our raw silk takes place. Viscount Watanabe therefore took steps to obviate the necessity of immediately sending home any part of the Indemnity money, either by shipping specie or by exchange operations.

But in the beginning of 1896 (29th year of *Meiji*), there appeared a tendency in our foreign trade for the imports to exceed the exports, and as its consequence a further tendency toward the tightness of the money market. All these were the results of a rise in the price of commodities, a circumstance which was brought about by the *post bellum* rush for expansion in both private and public enterprises, and also by the inflated circulation of capital among the general masses of

people, which was due to the vast disbursement of money during the War.

At the same time the amount of emergency notes issued by the Bank of Japan, i. e. the convertible notes issued upon business assets in excess of the legal limit, was greatly increased, while the specie reserve was gradually diminishing. There was an increasing tendency toward the exodus of specie, threatening the safe maintenance of our convertible notes system. But since after December of 1895 (28th year of Meiji), the price of silver bullion nearly resumed its normal rate in the European market, the Government determined to prevent through exchange operations the export of specie in order to safe-guard the convertible notes system, and to take measures for the importation of specie at some opportune moment in the future. On the 11th January 1896 (29th year of Meiji), an instruction was given to the Bank of Japan concerning the method of gradually bringing home the Indemnity money.

The policy now suggested to the Bank of Japan by the Minister of Finance (Viscount Watanabe) for the purchasing of gold and silver bullion, by means of exchange operations, was as follows:—

Though it is proposed to bring home the Indemnity money as soon as possible, either in the form of gold and silver bullion or otherwise through exchange operations, it will be necessary for some years to come to leave a large amount deposited in England. It is unnecessary to say that the Indemnity money is in nature a compensation for the loss of lives and property sustained by our people, besides being a compensation to some extent for the increased burden of taxation to fall on them in the future; so that its management must be attended with the utmost care and circumspection. Hence it seems to me that the true policy would be to pursue a course that will be attended with as little risk as possible, and not rush after small gains. Yet on the other hand, it will not be contrary to such a course to invest a part of the Indemnity money, with the object of realizing profit therefrom, provided we are able to find a method of investment that shall be free from risks. Among the different methods which appear to me to be more or less plausible, I mention the following, together with certain suggestions and questions upon which I ask investigation:-

1. Investing it in British Public Bonds:—there being just now rumours of war, as well as discussions concerning the currency system in Europe and America, the situation is not entirely free from apprehension; but it would appear to be fairly safe for the time being to invest the Indemnity money in British Public Bonds.

However before we decide to do so, it will be necessary to ascertain what will be the limit of the amount within which it may be safe for us to sell these bonds in the future, i. e. without bringing about a depreciation in the market price of these bonds. There are also other points on which inquiries need to be made:—

- 1. What is the range of fluctuation in the quotations of these bonds? For should the fluctuations be violent, we must take measures to escape from the perils connected with them.
- 2. How many years will it be before the principal is paid back?
- 3. Are the public bonds of the Indian Government as safe and reliable as those of England itself?
- 4. Are there other kinds of public bonds equally reliable? On these several points you are requested to conduct a careful investigations.
- 2. To make time deposits in the Bank of England:—Supposing that interest can be secured, what will be the term of such a deposit and the rate of interest?
- 3. To make time deposit in other banks if there are banks reliable enough:—This last course involves a good deal of danger and requires a most careful research. The plan may almost be considered as undesirable but it will at any rate be well to make investigations. Inquire also if there may not be methods other than those mentioned above, which will be safe and reliable, and yield some profit.
- 4. To bring home the Indemnity money through exchange operations:—

The majority of the bills of exchange transacted between England and Japan are at present drawn directly on either of these countries, but there are some bills which are drawn by way of Shanghai, Bombay, &c. Now can we not advance one step more and bring back the Indemnity money by exchange operations, passing through India, Shanghai or America. You are requested to make investigations on this subject.

5. To bring home the Indemnity money in silver bullion:-

We are now buying silver with the utmost care, always keeping our eyes open to the conditions of British and American markets. Are there not, however, other methods of effecting purchases which offer better terms?

The other day, the possibility of closing an agreement with some silver mines of America to buy their outputs for a fixed number of years was suggested by Mr. Sonoda.

Having this matter in view, you are requested to make investigations in European and American markets concerning questions as to what will be the prospects of future production and price of silver, &c.

6. To ship home the Indemnity money in gold bullion:

As stated in the previous paragraph, the plan now adopted is to keep in reserve nearly the same amount of gold and silver bullion; so that in buying either gold or silver, care should be taken not to be biased one way or the other in order that we may pursue a course which, in view of the changing condition of the money market, will be best calculated to give as little cause as possible for fluctuations in the ratio between gold and silver.

7. In case the Indemnity money is to be shipped home in the form of gold or silver bullion, are there not some means of doing so at reduced expenses for freight and other items? A thorough investigation is requested of this point.

It will be seen from the foregoing that the policy adopted by the Finance Minister, Viscount Watanabe, was to bring home a portion of the Indemnity in the form of specie, both gold and silver, so that we might be able to avoid as far as possible any large loss to the Treasury from fluctuations in the price of those metals.

This policy being adopted, the Government was already engaged in bringing home the Indemnity in this way, when, on Count Matsukata's becoming the Minister of Finance in September, 1896, in place of Viscount Watanabe, a change of policy took place. Count Matsukata now determined to make a thorough reform of the currency system by adopting the gold standard; and as a consequence of this new policy, a change took place in the methods of bringing home the Indemnity, the purchase and importation of gold bullion becoming now the main undertaking. Accordingly on the 19th

of September, the following instruction was given to the Governor of the Bank of Japan, regarding the method to be pursued in bringing home the Indemnity money:—

1. Concerning exchange operations:

Bills shall be drawn at London directly on Yokohama, but in order to avoid disturbing the market, they shall also be drawn in an indirect sort of way via America, India, Hongkong, Shanghai, etc.; i. e. so that the bills may be re-drawn at these places on Yokohama.

In these exchange operations, the money advanced abroad in order to be paid back at home shall be made on the security of articles which are directly connected with our productive industry, such as machinery and cotton, and it will be well to avoid, as far as possible, doing so on the security of unproductive materials such as articles of luxury. This policy is suggested with the view to prevent the excessive imports now taking place.

2. The shipment home of gold bullion:

The specie to be shipped home shall be mainly gold bullion, gold coins, or British coins. The rate at which gold bullion may be bought shall not be more than £3, 17s. $10^{1}/_{2}d$. per 1 oz. of standard gold.

3. The shipment home of silver bullion:

Silver bullion shall be purchased and imported home, whenever it is thought necessary to do so, either in order to guard against causing disturbance in the ratio between gold and silver in view of certain conditions in exchange operations or of shipping home gold bullion, or in order to meet the demand at home for silver currency.

In accordance with the policy sketched above, it was determined that in order to keep even the market rate of gold, silver bullion might be bought and brought home. As soon as the Government decided on the policy of bringing home the Indemnity money in the way stated above, and began the actual work of buying gold, the market quotation on gold bullion immediately rose markedly in London, so that it soon became, comparatively speaking, more advantageous to buy and ship home English coins. On the other hand, it being feared by some that English coins were generally much worn out, it was now deemed advisable to investigate the actual extent of damage suffered by those coins. Accordingly inquiries were made in various ways, and it was found that the

British Government had by the laws enacted on August 30th, 1889, and August 5th, 1891, ordered the Bank of England to withdraw all coins worn down to weights below the lowest limit fixed by those laws, and that owing to this cause a great improvement had taken place in the condition of coinage. It was clear now that there was no need for fear of large losses on this score; and estimating the shrinkage by wear to be not more than 2.5 per 1000, it was regarded to be more profitable to make specie importation in the form of English coins rather than to purchase gold bullion at the rate then ruling in the market of London. Further, it was thought that the direct importation of English currency into this country would contribute to some extent toward restoring to its normal rate the market quotation on gold bullion, which was as stated above forced up to a high level. In view of these things, an order was issued under date of October 24th to the Bank of Japan, ordering that institution to undertake the shipment home of English currency. The special rise in the quotation of gold bars in London having originally been brought about through the purchase and shipment home of that metal by Japan, Russia and Austria, the rate of quotation began to go down the moment we undertook the buying and sending home of English money. By the month of November, the rate came down within our prescribed rate of purchasing, so that the buying of gold bullion was at once commenced again. From this time on, the Government kept on buying with much success until the preparation for the redemption of silver yen was fully completed.

Though the Government now entrusted the Bank of Japan and its agency, the Yokohama Specie Bank, with the work of bringing home the Indemnity money in the manner above described, it was no easy thing to accomplish such a work on so large a scale, without disturbing the economic market. Under these circumstances a comptroller of the Bank of Japan was despatched to London, while the work of reporting, either by mail or by cable according to the need of the case, on the economical conditions of foreign countries, was entrusted to the consuls, as well as to the officers in the branch offices of the

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Bank of Japan and the Yokohama Specie Bank, in London, Lyons, New York, San Francisco, Singapore, Bombay, Hongkong, Shanghai, Amoy, etc. Thus informed of the economic conditions at home and abroad, the Government was finally enabled to accomplish the task of bringing home the Indemnity money. For some time both preceding and following the enactment of the Coinage Law the comptroller of the Bank of Japan staying in London and the manager of the London branch office of the Yokohama Specie Bank adroitly manipulated and accomplished the purchase of a vast amount of gold bullion, thus enabling the Government to carry through the gold standard measure without a single hitch.

The amount of English currency handed over to the Bank of Japan,—to which was entrusted the business of getting the English coins exchanged,—during the three years, commencing at the time when the shipment of the Indemnity money was begun, on the 11th of January, 1896 (29th year of Meiji), and ending with the 31st of March, 1899 (32nd year of Meiji), when the process was completed, was £30,476,642. 5s. 4d. Of this amount, £15,811,261. 10s. 2d. (including £4,386, 000 in English currency,—the sum obtained by the sale of the Military Loan Bonds and sent home through exchange operations under the special Comptabilité of the Indemnity Fund) was sent home in drafts, while £3,090,504. 6s. 3d. was sent home in silver and £11,574,876. 8s. 11 d. in gold bullion. Of the last amount, £7,733,516. 17 s. 9 d. was imported before the last day of September, 1897 (30th year of Meiji), and this was immediately coined into gold coins and reserved for the redemption of the silver yen.

Table XXVIII is herewith adjoined for reference concerning this Chapter.

TABLE XXVIII.

SHOWING THE RECEIPTS AND DISBURSEMENTS OF ENGLISH CURRENCY(used as an exchange-fund).

	Amount of Currency (used as an exchange-fund) and sent English money home by exchange operations					Balance on hand of
Dates transferred to the Bank of Japan	to the Bank	Amount of gold bars purchased	Amount of silver bars purchased	Amount sent home by exchange operations	Total	English currency
1896 (29th <i>Meiji</i>)	£ s. d.	£ s. d.	£ 8. d.	£ s. d.	£ s. d.	£ s. d
January	1,000,000.00.00	0.	152,185.18.07	390,000.00.00	542,185.18.07	457,814.01.0
February	1,000,000.00.00	230,000.00.00	278,717.19.08	390,000.00.00	898.717.19.08	559,096,01.09
March	1,000,000.00.00	496,000.00.00	315,000.00.00	545,000.00.00	1,376,000.00.00	203,096.01.09
April	1,000,000.00.00	25,000.00.00	487,558,17.01	130,000.00.00	642,558.17.01	560,537.04.00
May	1,000,000.00.00	0.	187,145.10.04	405,000,00.00	592,145.10.04	168,391.14.0-
June	500,000.00.00	0.	13,938.12.05	560,000.00.00	573,938.12.05	894,453.01.1
July	1,000,000.00.00	22,500,00.00	0.	790,000,00.00	812,500,00.00	1,081,953.01.1
August	0.	14,700.00.00	38,110.15.01	920,000.00.00	972,810,15.01	109,142.06.10
September	1,000,000.00.00	0.	515,255,18.09	400,000.00.00	915,255.18.09	193,886.08.0
October	2,000,000.00.00	229,543.02.06	829,271.02.04	190,000.00.00	1,248,814.04.10	945,072 03.03
November	1,000,000.00.00	523,866.05.09	124,387.14.06	337,000.00.00	985,254.00.03	959,818.03.00
December	900,000.00.00	855,820.12.04	3,965.18.02	445,000,00.00	1,304,786.10.06	555,031.12.00
Total	11,400,000.00.00	2,397,430.00.07	2,945,538.06.11	5,502,000.00.00	10,844,968.07.66	555,031,12.00
1397 (30th Meiji)						
January	1,350,000.00.00	993,806.03.01	1,897,18.00	260,000.00.00	1,255,704.01.01	649,327.11.0
February	1,450,000.00.00	818,537.00.00	124,325,19.06	340,000.00.00	1,282,862.19.06	816,464,11.11
March	1,350,000.00.00	1,140,765.12.00	18,742.01.10	100,000.00.00	1,259,507.13.10	906,956.18.0
April	2,200,000.00.00	2,296,328.11.05	0.	0.	2,296,328.11.05	
June	200,000.00.00	0.	0.	94,738.00.00	94,738.00.00	810,628.06.08
July	* 200,000.00.00	0.	0.	616,803.01.09	616,803.01.09	915,890.06.08
August	400,000.00.00	41,992.05.08	0.	338,987.12.02	380,979.17.10	99,087.04.13
September	600,000.00.00	44,657.05.00	0.	747,079.07 05		118,107.07.0
October	800,000.00.00	0.	0.		791,736.12.05	
November	650,000.00.00	0.	0.	700,206.14.02 584,698.10.11	700,206.14.02	26,164.00.00
December	300,000.00.00	0.	0.		584,698.10.11	91,465.09.07
Total	9,100,000.00.00	5,336,086.17.02	144,965.19.04	355,602.12.08 4,138,115.19.01	355,602.12.08	35,862.16.11
					9,619,168.15.07	35,862.16.1
Double total 1898 (31st Meiji)	20,500,000.00.00	7,733,516.17.09	3,090,504.06.03	9,640,115.19.01	20,464,137.03.01	35,862.16.1
January	500,000.00.00	θ.	0 1	***************		
February	200,000.00.00	0.	0.	523,160.05.09	523,160.05.09	12,702.11.0
March	236,000.00.00		0.	201,533.03.10	201,533.03.10	11,169.07.0
April	309,000.00.00	0.	0.	247,169.07.04	247,169.07.04	0.
May		0.	0.	300,000.00.00	300,000.00.00	0.
June	2,000,000.00.00	830,000.00.00	0.	1,354,007.00.00	2,184,007.00.00	
July	2,900,000.00.00	1,765,000.00.00	0.	737,611.15.09	2,502,611.15.09	213,381.04.03
*	1,000,000.00.00	442,500.00.00	0.	617,418,00,10	1,059,918.00.10	153,463.03.03
August	900,000.00.00	500,000.00.00	0.	151,650.16.08	651,650.16.08	401,279.15.10
September	300,000.00.00	125,000.00.00	0.	159,532.10.11	284,532.10.11	417,279.15.10
October November	350,000.00.00	165,399.03.09	0.	577,500.00.00	742,899.03.09	24,380.12.10
December	150,000.00.00	8,652.08.10	0.	150,000.00.00	158,652.08.10	15,728.03.03
	850,000.00.00	4,392.17.05	0,	850,000.00.00	854,392.17.05	11,335.05.10
Total	9,686,000.00.00	3,840,944.10.00	0.	5,869,583.01.01	9,710,527.11.01	11,335.05.10
Triple total	30,186,000.00.00	11,574,461.07.09	3,090,504.06.03	15,509,699.00.02	30,174,664.14.02	11,335.05.10
1899 (32nd Meiji)						
January	301,562.10.00	415.01.02	0.	301,562.10.00	301,977.11.02	10,920,04,08
March	* 10,920.04.08	0.	0.	θ.	0.	0.
	000 010 011 011					
Total	290,642.05.04	415.01.02	0.	301,562.10.00	301,977.11.02	0.

Notes:-

 The sums marked thus * for July, 1897, and for March, 1899, in the column for the Amounts of the English Money transferred to the Bank of Japan, show the amounts paid over to the Indemnity Fund deposited at the Bank of England.

2. The sums marked thus * for September, 1897, and May, 1898, in the column for the Balance on Hand of English Currency at the Bank of Japan, show the amounts of temporary deficit produced in the Exchange-Fund.

CHAPTER VII. THE MINTING OF THE NEW COINS.

SECTION I.

The minting of the gold coins.

As stated in the preceding chapter, the Minister of Finance (Count Matsukata) recognizing the imperativeness of reforming the currency system of the country, took in hand measures for accumulating gold by introducing a change in the method of bringing home the Indemnity money, and by entrusting to the Bank of Japan this work of securing gold. The said Bank therefore kept on transferring gold to the Mint as fast as it arrived in the country. On the enactment of the Coinage Law of 1897, the Government at once commenced minting new gold coins with gold bullion that had been accumulating, by providing that the amount of gold coins to be minted before the 30th day of September of that year should be 12,000,000 yen in 10-yen pieces, and 36,000,000 yen in 20-yen pieces,—total 48,000,000. On the 20th of April of the same year, the Minister of Finance (Count Matsukata) gave an order to the Mint Bureau, as follows:—

With reference to your representation dated April 15th of the present year, concerning the method of dealing with gold sent in by the Bank of Japan, you are now ordered to act as follows:—

- I. As regards the gold bullion sent in by the Bank of Japan and against which the promissory notes of the Mint to pay gold coin in exchange have been issued, the Mint shall at the earliest convenience coin the bullion into new gold pieces, and take steps to exchange the said promissory notes with the new gold coin after the 1st of October.
- II. As regards the gold bullion, which, having been sent in by the Bank of Japan, is now undergoing the process of testing, and also as regards those that may hereafter be received from the Bank, simple receipts mentioning the quality and quantity of bullion received shall be given in acknowledgement of the deposit, instead of the promissory notes as heretofore. The Mint may at its convenience also turn this part of bullion into gold coins.

III. The Denominations of new gold coins to be minted before September 30th, shall be as follows:—

In 10-yen	pieces			٠	•	٠			1	2,000,000
20-11-11	11					٠			. 3	6,000,000
Total amor	unt of	gold	coins	to	be	mii	ateo	1.	4	8.000 000

The Mint now immediately increased its working capacity, began minting these coins and worked both day and night scarcely without cessation; so that by the prescribed day i. e. September 30th, it succeeded in turning out 49,587,160 yen of new gold coins.

The original estimate of new coins to be minted was now increased, and it was decided to coin by the 31st day of March, 1898, in addition to the amount mentioned above, 500,000 yen of 5-yen gold pieces, and 24,500,000 yen of 10-yen gold pieces, total 25 million yen, making the revised total of the new gold coins to be issued 73 million yen altogether. Accordingly the amount of new gold coins turned out by the Mint from October, 1897, to April, 1898, was altogether 24,868,575 yen.

The total sum of gold coins minted by the Government between April, 1897, and April, 1898, in preparation for effecting the coinage reform was thus altogether 74,455,735 yen, and this amount was now devoted to making the exchange of silver yen.

SECTION II.

The minting of subsidiary silver coins.

In order to place the currency system of a country on a sound basis, it is essential that a sufficient supply of coins be provided for the use of the community at large. It is particularly important that coins be used by the people in their smaller daily transactions. Now the amount of one-yen convertible notes issued by the Bank of Japan had reached the vast sum of over sixty six millions (estimate at the end of March, 1897). And since a greater portion of these notes

was being used in daily transactions by the people, it was thought proper to order the Bank of Japan to commence withdrawing gradually its one-yen convertible notes, along with the adoption of the gold standard, in order that the Government might issue hard money in their place. But in regard to the nature of the hard money to be thus issued in exchange for these notes, it was feared that one-yen gold pieces, if coined, would be too small and hence inconvenient for handling. For this reason, in the Coinage Law no provision was made for the minting of gold one-yen. Accordingly the Government adopted the plan of issuing an additional amount of subsidiary silver coins consisting of 50, 20 and 10-sen pieces, and of making them take the place of one-yen convertible notes, so far as these were being used in daily transactions by the people.

At the time of the promulgation of the Coinage Law, (i. e. March 30th, 1897), the amount of subsidiary coins consisting of silver, nickel and copper pieces, was altogether 39,656,042 yen, 69 sen and 8 rin; besides which there were yen 2,170,311. 75 of Government paper money still left in circulation, consisting of 50-sen and other smaller pieces. Now these two sums added together make the total, 41,826,354 yen, 44 sen and 8 rin, which may be regarded as the amount then available for daily transactions by the people. If we compare this amount with 238,530,743 yen and 58 sen—the sum total of the standard coins, convertible bank notes and Government paper money of the denominations of above 1-yen, then in circulation,—we shall see that the subsidiary currency stood at a ratio of only 17 per cent. to the standard currency. In consequence the scarcity of subsidiary money was being felt everywhere. It was therefore decided, as will be stated below. to issue an additional amount of 40 million yen of subsidiary coins in accordance with the plan above mentioned. It was also decided concerning this 40 million yen, that 32,500,000 yen should be issued before the end of the 32nd fiscal year of Meiji (1899-1900). On account of this addition, the amount previously mentioned of the subsidiary currency would increase, by the end of the 32nd fiscal year of Meiji, to the sum of 74,326,354

yen, 48 sen, and 8 rin. On the other hand, supposing that one-yen convertible notes up to the amount of this additional issue of subsidiary coins had been called in, the total amount of standard currency would be reduced to the sum of 206,537,043 yen and 58 sen; and the ratio between the subsidiary currency and the standard currency would stand as 35 to 100, or 35 per cent. Should the remaining 7,500,000 yen of subsidiary coins be issued, after the 33rd fiscal year of Meiji, the subsidiary currency would, as a whole, rise to the sum of 81,826,354 yen, 48 sen and 8 rin. Now suppose on the other hand that the amount of convertible notes corresponding to this additional issue of the subsidiary coins, had been withdrawn, the standard coins and paper money together would be reduced to the sum of 199,037,043 yen and 58 sen, and the ratio between the subsidiary currency and the standard currency would become proportionally larger. It was not, however, expected that this increase in the subsidiary currency would prove excessive; for not only the place left vacant by the withdrawal after the 33rd fiscal year of one-yen convertible notes would have to be filled, but owing to the industrial growth of the country, the demand for smaller coins so necessary for paying working men and factory hands would also grow, which would of course call for the increased supply of those coins. Besides, owing to the economic growth of the country, there would soon come a time when it would be felt necessary to increase the amount in circulation of our standard currency, and when such an increase had taken place, the proportion of the subsidiary to the standard currency would be found to remain about 35 per cent. as to-day.

Furthermore, it will be seen by making calculation of the amount per capita of the subsidiary currency, after the additional issue of 40,000,000 yen mentioned above has taken place, and comparing it with the amount per capita of subsidiary currency of the principal countries of the world, ours will not be seen to be very large, as may be seen by a comparative table which is hereby adjoined.

TABLE SHOWING THE AMOUNT PER CAPITA OF SUBSIDIARY SILVER COINS IN THE MORE IMPORTANT COUNTRIES OF THE WORLD.

Names of countries	Subsidiary silver coins	Population	Rate per capita
At the time of the enactment of the Coinage Law	yen	At the end of 1896 (Formosa ex- cepted)	yen
	23,757,396	42,708,264	0 556
amount of subsidiar silver coins originally decided upon	63,757,396	42,708,264	1 493
The United States of America	152,055,000	72,900,000	2.086
Great Britain	244,130,000	39,600,000	6 165
France	116,147,000	38,500,000	3 017
Germany	235,906,000	52,300,000	4 511
Belgium	14,042,000	6,400,000	2194
Italy	53,159,000	31,300,000	1698
Switzerland	21,464,000	3,000,000	7 155
Greece	2,006,000	2,200,000	0 912
Spain	98,294,000	18,000,000	5 461
Portugal	19,057,000	5,100,000	3 737
Austria	80,240,000	45,000,000	1783
Holland	6,620,000	4,900,000	1 3 5 1
Norway	4,012,000	2,000,000	2 006
Sweden	9,829,000	5,000,000	1 966
Denmark	10,832,000	2,300,000	4710
Russia	84,051,000	126,000,000	0 667
Turkey	20,060,000	22,000,000	0 912
Australia	14,042,000	5,000,000	2808
Canada	10,030,000	5,300,000	1,892

Notes:-

1. The sum set down as circulating at the time of the enactment of the Coinage Law is the actual amount in circulation at the end of the month of March. 1897. The amount of the subsidiary coins after the issuing of the additional amount originally decided upon is obtained by adding together the amount in actual circulation on March 31st, 1897, and the forty million yen decided upon at the time of the enactment of the Coinage Law.

2. The figures showing the amounts of subsidiary silver coins in the various countries of the world are taken from the Report of the Director of the United States Mint for 1897; the figures for the United States being the returns on July 1st, 1897, while those for other countries, are the returns on January 1st of the same year. The original figures were given in American dollar, but they have been reduced into terms of Japanese gold yen, the rate allowed being 2 yen and 6 rin for the American one dollar.

The facts being such as shown above, it was concluded that it would not be going beyond the actual need of the country to make the additional issue of 40 millions of subsidiary silver coins as had been decided upon. In the above table the figures given are those for the subsidiary silver coins only, so that when the amount of copper currency is added thereto, the total amount of the whole subsidiary currency of this country, after the additional issue of 40 millions of subsidiary silver coins, will stand at 81,826,354 yen 48 sen and 8 rin, which being compared with the population according to the returns at the end of 1896 (29th year of Meiji)—42,708,264 (Formosa excepted)—the rate per capita will stand at a little over one yen and ninty one sen (yen 1.91).

In order to carry out effectively the plan thus laid out, the Minister of Finance (Count Matsukata) issued on the 10th day of April, 1897 (30th year of Meiji), the Method and Processes of business connected with the Minting of Subsidiary Silver Coins, to serve as a guide to the Bureau of Accountants and of the Mint, as well as to the Cashier-in-Chief of the Government Treasury.

Method and Processes of business connected with the Minting of Subsidiary Silver Coins.

- Art. I. Whenever it is necessary to obtain an appropriation of a coinage fund out of the Government Treasury for the purpose of minting subsidiary silver coins, the Finance Minister shall each time issue an order to the Government Treasury for the inter-fiscus transposition, in order that the amount needed may be transferred to the Mint Bureau.
- Art. II. On receiving the order as provided for in Art. I, the Cashier-in-Chief of the Government Treasury shall pay out the amount prescribed, by making entry thereof under the item of "Delivered to the Mint Bureau" in the General Ledger of the Government Treasury; shall then make entry of the said amount under the item of "The year's manufactory incomes"; and on completing the said processes, shall at once make a report thereof to the Chief of the Mint Bureau.
- Art. III. As regards the fund received into the Mint Bureau in accordance with the provision of Art. II, the Finance Minister shall issue an order for another inter-fiscus transposition to the Government Treasury, in order to have the same exchanged for the retired 1-yen silver coins (including the promissory notes of the Mint to pay coins) which are under the special

Comptabilité of the Coinage Adjustment Fund.

- Art. IV. On receiving the order as provided for in Art. III, the Cashier-in-Chief of the Government Treasury shall make disbursement out of the year's "Manufactory Expenditure Fund," and make entry of the said amount under the item of the year's "Income to the Coinage Adjustment Fund." When the year's manufactory expenditure fund is exhausted, a report thereof shall be sent to the Chief of the Mint Bureau.
- Art. V. The Finance Minister shall issue to the Government Treasury an order for an *inter-fiscus* transposition, for the purpose of exchanging the fund received into the Coinage Adjustment Fund in accordance with Art. IV, with 1-yen silver coins (which include the promissory notes of the Mint to pay coins) on hand in the Government Treasury.

When necessary, the Finance Minister shall issue an order to the Government Treasury for obtaining from the Bank of Japan the 1-yen silver coins mentioned in the preceding paragraph, in exchange for the convertible notes on hand in the Government Treasury, so that the Government Treasury may make preparations for the transaction.

- Art. VI. On receiving the order as provided for in the first paragraph under Art. V, the Government Treasury shall pay out the money set apart for the year's expenditures on account of the Coinage Adjustment Fund, and shall carry out the process of receiving the retired 1-yen silver coins (which include the promissory notes of the Mint to pay coins) by making entry of the same under the item "Amounts of the retired 1-yen silver coins received into the Coinage Adjustment Fund,"
- Art. VII. On receiving the retired 1-yen silver coins in accordance with Art. VI, the Government Treasury shall immediately make payment thereof, by making the entry under the item of "Amounts of the retired 1-yen silver coins disbursed in the Coinage Adjustment Fund," and at the same time secure receipt therefor by forwarding the same to the officials in charge of the goods and articles belonging to the Mint Bureau.
- Art. VIII. The processes of inter-fiscus transposition under Articles I—VII inclusive are to be carried out simultaneously.
- Art. IX. In accordance with Art. VII, the Mint Bureau shall receive the retired 1-yen silver coins and mint them into subsidiary silver currency, and shall, as fast as the minting is done forward the same to the Government Treasury at Osaka, with the note of delivery from the Chief of the Mint Bureau.

Art. X. On receiving the newly coined subsidiary silver currency, the Government Treasury shall make entry thereof in the General Ledger, under the item of "Received from the Mint," and shall submit a statement of account as in the cases of accounting in general. The Government Treasury shall further issue receipt in acknowledgment of the subsidiary currency received.

It was then further decided that the amount of subsidiary silver coins to be minted after 1897 (30th year of Meiji) should be ten million yen during the 30th fiscal year of Meiji, twenty millions during the 31st fiscal year and ten millions during the 32nd fiscal year, making the total forty million yen. This apportionment was subsequently changed and it was decided to coin ten millions during the 30th fiscal year, seventeen millions during the 31st fiscal year and five million and five hundred thousand yen during the 32nd fiscal year, making the total 32,500,000 yen; it being resolved to mint the remaining 7,500,000 yen at some future time. Of the above amount, five million yen of 50-sen pieces, three million yen of 20-sen pieces, two million yen of 10-sen pieces, total ten million (10,000,000) yen were coined during the 30th fiscal year, of Meiji; fourteen million yen of 50-sen pieces, two million yen of 20-sen pieces, ten million yen of 10-sen pieces, total 17,000,000 yen were coined during the 31st fiscal year; and it is now expected that the remaining five million and five hundred thousand yen will be coined during the 32nd fiscal year.

In this manner the subsidiary silver coins are made to fill up the gaps caused by the retirement of 1-yen convertible notes.

SECTION III.

The minting of subsidiary nickel and bronze coins.

The minting of nickel and bronze coins has not been made subservient to any special object as in the case of the coining of subsidiary silver currency. Subsequent to the enactment of the Coinage Law and according as there have been demands in the market, nickel coins were minted to the extent of 600,000 yen during the 30th fiscal year of Meiji and 750,000 yen during the 31st fiscal year, total 1,350,000 yen. The minting of bronze coins was commenced in the 31st fiscal year, 100,000 yen being produced during that year.

The following tables, XXIX and XXX, are adjoined for reference concerning this whole chapter.

TABLE XXIX.
SHOWING THE AMOUNTS OF THE NEW COINS ISSUED.

	New g	old coins		Subsidiary			Grand
Dates	For Governmen	For private applicants	Total	silver coins	Nickel	Bronze	total
1897(30th Meiji)	yen	yen	yen	yen	yen,	yen	yen
October	51,236,860,720	916,557 776	52,153,418 496	410,000 000	10,100 000	0:	52,573,518 496
November	8,881,484 74	339,731 481	9,221,216 225	610,000 000	76,000 000	0	9,907,216 225
December	585 90	318,909 058	319,494 959	2,098,000.000	31,000 000	0	2,448,494 959
1898(31st Meiji)						i	
January	973,570 02	236,347,493	1,209,917,514	1,039,000 000	0	0.	2,248,917 514
February	6,240,915,08	111,370 985	6,352,286 067	2,000,000,000	15,000 000	6	8,367,286 067
March	7,005,883 94	90,800 873	7,096,684 819	1,392,000 000	378,000 000	0,	8,866,684 819
April	116,434 61	112,168 074	228,602 688	1,380,000 000	70,000 000	0	1,678,601 688
May	0	118,725 585	118,725,585	1,680,000 000	28,000 000	0'	1,826,725 585
June	0	2,339,209 617	2,339,209,617	530,000 000	0	0	2,869.209 617
July	0	1,418,001 437	1,418,001 437	940,000 000	0	0	2,358,001 437
August	0	263,260 466	5 263,260 466	970,000 000	c	0	1,233,260 466
September	0	4,367,649 804	4,367,648,804	640,000 000	215,000 000	0,	5,222,649 804
October	0	5,455,418 449	5,455,419 445	670,000 000	187,000'000	0	6.312,419 442
November	0	1,261,135 993	1,261,135 898	2,600,000 000	17,000 000	8,000 000	3,886,135 993
December	0	1,348,561 874	1,348,561 874	2,520,000 000	0,	28,000 000	3,896,561 874
Grand Total	74,455,735 03	3 18,697,841 953	93,153,584 986	19,479,000 000	1,027,100 000	36,000-000	113,695,384 986

Note:-

The reason for the existence of a discrepancy to the extent of 14,585 yen 90 sen and 6 rin, between the sum of 74,455,735 yen 3 sen and 3 rin—the amount of gold coins minted for the Government as mentioned in the present table—and the sum of 74,441,149 yen 12 sen and 7 rin,—the amount obtained by subtracting 6 yen 93 sen and 9 rin (the shortage made good by subsidiary coins) from 74,441,156 yen 6 sen, (the proceeds from coining the gold bullion secured by appropriating a part of the Indemnity money),—is because the first mentioned sum includes in it, aside from the coins made from the gold bullion belonging to the Indemnity fund, the sum of 585 yen 90 sen and 6 rin (see the Mint Bureau Report for December 30th Meiji) obtained from re-coining the gold coins in possession of the Government Treasury, as well as the sum of 14,000 yen obtained by coining the gold bullion, which formed the coinage stock previous to the amendment of the Mint Regulations.

TABLE XXX.

SHOWING THE COMPARATIVE AMOUNTS OF THE COINS IN CIRCULATION.

(The amount of the specie reserve of the Bank of Japan is not counted in these estimates)

Denominations .	In circulation on the last day of September 1897 i. e. the day before the Coinage Law went into operation	In circulation on the first day of August, 1898 i.e. the day after the exchange of 1-yen silver pieces was completed	The amount in 1897, compared with that in 1898. — Increase or decrease for 1898 *= Decrease		
OH CHICH	yen ************************************	yen - 110 - 110 - 110	*	yen	
Old Gold Coin	5,622,354 442	5,118 788 000	*	508,571 442	
New Gold Coin	()	15,291,152 407		15,291,152 407	
One-yen Silver Coin	27,525,000,000	()	*	37,525,0000000	
Subsidiary Silver Coins	26,272,.(00,550)	08,397,839 200		12,124,845 650	
Nichel Celle	0.026,078500	7,234,178 500		$608,\!100 \!000$	
Caper Coles	9,350, 52848	9,343,876168	*	7,076 380	
Te al	85,0.7,0790340	75,880,829,275	*	10,016,550 065	
The old gold coin being counted for twice its face value	91,019,738 782	80,494,612 275	*	10,525,121 507	

CHAPTER VIII.

PROSPECT OF FUTURE SUPPLY FOR THE GOLD RESERVE.

The Gold Reserve will have to be replenished in the future from the domestic output of gold as well as from that of the neighbouring countries. The following figures have been obtained as the result of investigations made in connection with the Coinage Reform.

I. The Domestic Supply of Gold.

Japan is not naturally a gold producing country. The abundance of gold coins in the country in past days was due probably to the importation of gold in connection with various warlike expeditions to neighbouring countries. At any rate, there is no means of investigating the natural output of gold previous to 1873 (6th year of Meiji); but the figures for 1874 (7th year of Meiji) and succeeding years, as compiled by the Department of Agriculture and Commerce are as follows:—

			momme	1				momme
1874 (7th Meiji	i) .	р	25,952	1886 (19 th .	Meiji)		0	123,888
1875 (8 th ,,) .		46,430	1887 (20 th	,,)	٠		138,838
1876 (9 th ,,) .		59,280	1888 (21st	,,)		۰	167,788
1877 (10 th ,,) .		93,421	$1889 (22^{\rm nd})$,,)	٠		204,939
1878 (11 th ,,) .		72,687	$1890 (23^{\rm rd})$,,)		0	193,762
1879 (12 th ,,) .		69,688	1891 (24 th	,,)	٠		192,560
1880 (13 th ,,) .	۰	83,317	1892 (25 th	,,)	٠	٠	186,805
1881 (14 th ,,) .		81,213	$1893 (26^{th})$,,)	0		196,372
1882 (15 th ,,) .		72,455	$1894 (27^{th})$,,)	٠		209,509
1883 (16 th ,,) .	۰	80,195	1895 (28th	,,)	٠	٠	239,041
1884 (17 th ,,) .		73,233	$1896 (29^{th})$,,)			256,519
1885 (18 th ,,) .		73,085					

Coming now to the question of the gold yield of Formosa, according to the result of investigations made by the Government of Formosa (Sotoku Fu or Government presided over by the Governor-General) no accurate estimate can be made, as there exist no reliable returns, owing to the shortness of the time since the island has come into our possession. We may, however, quote the figures given by the experts in the service of the Governor-General's Government, as the best estimate that can be made. According to these figures, a gold smelter's daily reclamation of gold-dust is put at from 2 fün to 1 momme; so that, supposing there are 1,000 gold diggers on the field, according to this calculation the daily recla-

mation would stand at from 200 momme to 1 kwan.* But as smelting and digging generally involve a division of labour, the daily reclamation may be put at half the above figures, which even then would mean 100 momme to 500 momme per day, or from 36 kwan to 180 kwan in the course of a year. Supposing, in the light of the prevailing market quotation, the value of 1 momme of gold-dust to be 3 yen and 10 sen, the daily production may be valued at from 310 yen to 1,550 yen or on an average at 930 yen, which would by the year mean 334,800 yen. At this rate, as there are 2,000 diggers at work according to an estimate made by the experts, the yearly output would amount to 669,600 yen.

Now, as has been stated, the gold production at home being roughly estimated at 200 kwan, and that in Formosa at from 36 kwan to 180 kwan or say, at 180 kwan on an average, the yearly output of the Empire would stand at 380 kwan, and supposing the value of 100 momme of gold to be 450 yen, this total amount would mean 1,700,000 yen.

II. The Gold Supply of Korea.

The kind of gold found in Korea is principally gold-dust, and the production of nugget-gold is confined to only one or two localities. Reports, however, vary considerably as to that country's natural gold resources. Some say that throughout the Eight Provinces, which constitute the Kingdom of Korea, gold is everywhere to be found in great abundance, and that with a suitable amount of capital mines could be opened and worked inexhaustibly, almost leaving Australia behind in the race. Others claim that Korean mines not having yet been examined by experts, it is impossible to decide upon the degree of their richness. While it is thus difficult to obtain exact returns concerning the mines, yet as far as gold-dust is concerned there is no doubt that it is found to more or less extent throughout the Eight Provinces, but especially in the northern parts of the country, as may be attested by the quantity exported from the treaty ports of those regions.

Neither do there exist any accurate returns on the quantity produced, so that it is impossible to obtain any figures to base a calculation upon. This state of things, of course, might be expected when we look at the prevailing condition of that country. Still one thing appears to be certain as based on practical observations, i. e. that the increase or decrease of the Korean output of gold is directly related to vicissitudes in the agricultural condition of that country. The reason appears to be that, since gold-dust mining yields but small profit, there are not many who would follow it as their main occupation; in a year of bad harvest a large number

One kwan = 1,000 momme = 8.281 lbs avoir.

of people would be forced to go out, while in a year of plenty they would mostly prefer to stay at home. Now, by taking into consideration the number of merchants who are engaged in buying gold-dust in Seoul, and the number of miners engaged in obtaining gold-dust, it may roughly be said perhaps that the average output of gold in Korea must be no less than 2 kwan a day, or 700 kwan a year. On the other hand, according to those who trade in Korean gold, the annual output of gold from northern Korea, or the three provinces of Hamgyon-do, Hwang-hai-do and Phyon-an-do, is something like two million yen. If now we double this amount of gold produce from the northern half of the country, make that stand for the entire annual output of that country as a whole, we get 4,000,000 yen in round figures, or 890 kwan at the rate of 450 yen per 100 momme, as Korea's annual output of gold. This would show in an indirect way that the estimate mentioned above, i. e. 700 kwan or thereabout, is not entirely unfounded.

On making inquiry as to the quantity of gold-dust which is exported, it is found to be a general opinion that it will be fairly safe to put the aggregate annual export from the three ports of Chemulpho, Won-san and Fusan, and from Wi-chu and Kiogu-fugu, at two million yen, which at the rate of 450 yen per 100 momme would represent 444 kwan. These figures being for the three ports and two districts, it would appear to be within reason to place the entire annual export of gold dust from Korea at 500 kwan. As has been stated, since the total annual output of the whole country may be put at 700 kwan and the export out of this quantity at 500 kwan, the annual supply of gold that Japan may at present secure from Korea would be from 500 kwan to 700 kwan, or from 2,000,000 to 3,000,000 yen at the rate of 450 yen per 100 momme.

III. The Gold Supply of China.

As for the gold-producing regions of China, even those who are in the gold business do not seem to have accurate knowledge. But according to the generally accepted report, the regions east of Shan-hai-kwan, Manchuria, Korean frontiers, Yunnan, would seem to be the principal localities where gold is produced. In following the course of the movements of gold obtained in these various places, we notice that the gold produced in Northern China generally seems to find its way first to Peking and thence to Shanghai via Tientsin, and from Shanghai to foreign countries. The sole reason why it is brought into Peking is because there are in that city famous firms of gold brokers, such as *Tian-fong* and *Yi-fong*, and all gold with the stamp and certificate of those houses, possesses an absolute credit, not only in the various provinces of China but even

among foreign business men. For this reason, more than for any other, all the gold produced in North China seems to find its way into Peking. Another reason is however usually mentioned; namely, that Peking, as the metropolis of the Empire, forms a converging point for all the provincials, both official and commercial, and that owing to the imperfect system of exchange and the deficient and even unsafe means of transportation, all travelers who come to Peking bring their money in the form of gold ingots. As for the product of gold in Yunnan, Sze-chuan, &c.,—regions along the upper course of the Yantsze-kiang,—they appear to be first brought to Hankau and thence transported to Shanghai. Such being the case, it is not always correct to regard a gold exporting centre as the place of its production. However that may be, it appears to be a fact that North China seems very rich in gold, and the quantity of gold bullion brought into Shanghai from the direction of Manchuria, Liaotung and Korea is said to be astonishingly great.

Thus a greater part of the gold-ingots brought into Peking mainly find their way through Tientsin to Shanghai. According to the export returns of Tientsin for the last ten years, the yearly export reaches from one million taels * to four million taels, or on an average 2,300,000 taels. But this only represents the amount that passes through the custom house, while the amounts that find their way into Shanghai, without passing through the custom house at Tientsin is said to be more than one third of the above figures. On the other hand, on investigating the amounts brought into Shanghai, the returns for the last five years show them to be from two million to four million taels a year, or on an average 3,000,000 taels. From this it will be seen that, when the figures showing the amount of gold imported to Shanghai are compared with the figures showing the amount exported from Tientsin for Shanghai, they do not exactly agree with each other; but the explanation seems to lie in the fact that large quantities do not pass through the custom house, as was mentioned above. Although this discrepancy exists, vet the figures given are sufficient to show that by far the greater part of gold exported from Tientsin goes to Shanghai. Among the quantities of gold ingots imported into Shanghai, the amount exported from Tientsin stands first; and then comes that from Hankau, followed by the amounts from other regions; the annual total from these latter quarters, according to the returns of the last five years, range from four million to seven million taels, or on an average 5,000,000 taels. Further, the amount of gold annually exported from Shanghai into foreign countries ranges from six million to eight million taels; the average for the last

^{*} The tael mentioned in this Section is the Hai-kwan tael.

five years being 7,700,000 taels.

As has been stated above, China's export of gold from Shanghai amounts to from six million to eight million taels a year; hence, the quantity of gold Japan may yearly secure from China may be said to equal this amount of export from Shanghai, namely between six and eight million taels, or from 7,200,000 yen worth to 9,600,000 yen worth at the rate of one yen twenty sen per tael.

In the light of the foregoing statements then, Japan's yearly production would be 1,700,000 yen, that obtainable from Korea from 2,000,000 to 3,000,000 yen, while that obtainable from China might be put at 7,200,000 to 9,600,000 yen. This shows that it will not be difficult for Japan to secure a yearly gold supply to the extent of from 10,900,000 yen to 14,300,000 yen, or on an average 12,600,000 yen. Furthermore, gold produced in Australia finds its way abroad to Europe in large quantities through Hongkong, and it will not be difficult to find means of diverting its destination to this country. With these facts at his command, the Minister of Finance (Count Matsukata) is now engaged in devising means of replenishing our Gold Reserve.

CHAPTER IX.

THE WITHDRAWAL FROM CIRCULATION OF ONE-YEN SILVER COINS.

SECTION I.

The preparations for exchanging 1-yen silver coins.

By Article XVI of the Coinage Law of 1897 (Law No. XVI of the 30th year of Meiji), it was provided that all the 1-yen silver coins then in circulation should be, at the convenience of the Government, exchanged at the rate of 1-yen gold for 1-yen silver. As this law was to be put in force on the 1st day of October of the same year, the Government at once took up the work of providing the fund needed for the exchange of 1-yen silver coins. But early in July of the same year, some of the foreign banks at our treaty ports, being doubtful as to the actual working of the Coinage Law, sent out circulars to their customers notifying them to the effect that, after the 1st of October, those banks should exercise the liberty of choosing either gold or silver coins in making specie payments. Under these circumstances the outlook was not free from the danger that, if things were allowed to proceed as they were, they would eventually lead to a change in the market ratio between gold and silver; and perceiving that, in order to prevent such a contingency, it would be a matter of the most urgent necessity to effect the exchange of 1-yen silver coins with all possible despatch and promptness, the Finance Minister (Count Matsukata) decided on adopting the following course:-

- 1. On the 1st day of October, to get all the 1-yen silver coins in the possession of the Bank of Japan and of the Yokohama Specie Bank exchanged for the gold coins in the possession of the Government.
- 2. To allow foreign banks in the treaty ports to get 1-yen silver coins in their possession, exchanged for gold coins after the 1st day of October; the transactions connected with this business to be entrusted to the Bank of Japan.

3. In view of the above-mentioned course taken by the Government, to instruct the Yokohama Specie Bank and its branches to use gold in all their payments.

4. That the President of the Bank of Japan should endeavour to induce the foreign banks also to make their payments in gold.

Then on the 15th of July, the following instruction was issued to the Bank of Japan:—

Since the Coinage Law goes into operation on the 1st day of October of the current year, the Bank of Japan is hereby ordered to undertake the exchange of 1-yen silver coins now in circulation, according to the following method:—

1. One-yen silver coins which may be in the possession of the Bank of Japan on the 1st day of October, as well as those that may come into its possession after that date, the Bank shall get exchanged for gold coins at the Government Treasury.

2. As regard 1-yen silver coins in the possession of the Yokohama Specie Bank and of the foreign banks in the treaty ports after the 1st day of October of this year, the Bank shall endeavour to persuade their possessors to exchange them for gold coins.

3. As regards all payments made at the head office of the Yokohama Specie Bank, whether those payments are made by it as an agency of the Bank of Japan or not, the Bank of Japan shall see that after the 1st day of October those payments are made entirely in gold coins.

The exchange of 1-yen silver coins for gold coins is a matter requiring great care on the part of the Government, since it is virtually connected with the successful working of the Coinage Law. For it would be a very grave thing indeed, if on account of the lack of promptness in exchanging 1-yen silver for gold coins, there should be produced a change in the ratio between gold and silver. Particular care and caution need to be exercised, therefore, both preceeding and following the going into operation of the Coinage Law; and by entering into a very thorough consultation on this matter with the Yokohama Specie Bank and also by ascertaining the state of feeling among foreign bankers, the Bank of Japan shall regulate things in such a way as to bring about the successful completion of this work of exchange.

In accordance with the foregoing instruction, the Bank of Japan commenced making the necessary preparations for the coming event, while the Yokohama Specie Bank after consulting with the Bank of Japan sent out the following circular to its customers:—

We beg herewith to state that, on and after the first day of October of this year, we shall meet all our obligations, which are already due to our customers or which will become due, with gold coins, regardless of our promise to pay them in silver. Further, while this bank will accept silver coin in payments made to it, silver coin will not be used by us in making our payments.

We remain &c., &c.,

P.S. We beg to further notify our customers that we have received orders to exchange for gold coin on demand after the date mentioned above the convertible notes of the Bank of Japan up to any amount.

This course of action had the effect of dispelling the doubt at first entertained by foreigners concerning the actual working of the Coinage Law, and the foreign exchange also came to resume its normal rate.

Then besides, as stated in Section IV, Chapter V, the Regulations for the Exchange of 1-yen Silver Coins were issued by the Finance Department Notification No. LXI of the 21st day of September of the same year. In the meanwhile, the work of minting new gold coins to be used for exchanging the silver yen having made good progress, while that of coining subsidiary currency to fill the place of retired 1-yen silver coins was also completed, the Finance Minister (Count Matsukata), on the 2nd day of September, submitted to the Cabinet Council a measure for forbidding the circulation of the 1-yen silver coins after the 1st day of April, 1898 (31st year of Meiji.)

The memorandum was as follows:-

In accordance with clause 2, Article XVI of the Coinage Law (Law No. XVI of the 30th year of Meiji), the 1-yen silver coins hitherto issued have been left in circulation for the time being. Now that, however, the work of providing gold coins needed for the exchange of those silver coins is completed, as well as that of coining subsidiary silver currency, it need not be feared that the retirement of the silver yen will inconvenience the people in their daily transactions. For these reasons it will be

a proper course for the Government to forbid the circulation of the silver yen after the 1st day of April of the 31st year of Meiji (1898), and to promulgate in accordance with clause 2, Art. XVI of the Coinage Law, an Imperial Ordinance enforcing the said prohibition, on the 1st day of October of this year, that is, six months previous to the date of its coming into force. For this reason the present memorandum is submitted to the consideration of the Cabinet, together with a draft of the Imperial Ordinance in a separate paper.

Accordingly, as stated in Section IV, Chapter V, the Government decided to prohibit the circulation of 1-yen silver coins after the 1st day of April, 1898 (31st year of Meiji), and to announce the fact of that prohibition by Imperial Ordinance No. CCCXXXVIII of the 18th day of September. The Imperial Ordinance runs as follows:—

Imperial Ordinance No. CCCXXXVIII of the 18th day of September of the 30th year of Meiji (1897).

The circulation of one-yen silver coins hitherto issued will be prohibited after the 1st day of April of the 31st year of Meiji.

Previous to this on the 7th of September, the Finance Minister (Count Matsukata) in view of the fact that the date for exchanging of the silver *yen* was drawing near, issued orders to the Cashier-in-Chief of the Government Treasury in regard to making preparations for the said event, as follows:—

- 1. Preparations shall be made with the view to exchanging 1-yen silver coins for new gold coins after October 1st, this year.
- 2. It is intended that the said exchange shall principally be conducted at the Central Government Treasury; but should there be applicants for exchange at the Government Treasuries in different parts of the country, these Treasuries shall mediate in the matter and get the silver *yen* exchanged for gold by having the exchange fund forwarded to them.

At Yokohama and Kobe, it is to be understood that the exchange shall be undertaken by the Yokohama Specie Bank and its branch office, as agencies for the Bank of Japan.

3. Regarding the new gold coins which are to be used as the fund for exchanging 1-yen silver coins, a sum of forty three

million yen minted from the gold bullion deposited at the Mint Bureau, in the name of the Bank of Japan, shall provisionally be handed over to the said Bank; the said Bank will then pay it back to the Government Treasury at Osaka; the said Treasury in its turn shall make entry of the gold coins under its "Miscellaneous Items", and afterward by the end of this month make the required allotments of the said coins.

Instructions as per accompanying paper (omitted here) having been sent to the Mint Bureau and to the Bank of Japan, the receiving and delivering of gold coins shall be made in accordance therewith.

4. The account concerning the new gold coins provisionally paid into the Government Treasury at Osaka by the Bank of Japan shall be settled after the 1st day of October of this year.

In the manner above described, the exchange of 1-yen silver coins was commenced on the 1st day of October, 1897 (30th year of Meiji), simultaneously with the enforcement of the Coinage Law.

SECTION II.

Amount of 1-yen silver coins and of the promissory notes of the Mint withdrawn from circulation.

The exchange of 1-yen silver coins, commenced on October 1st, 1897, as stated in the preceding Section, was concluded according to Law No. V of June, 1898 (31st year of Meiji), on the 31st of July of the latter year, as was related in Section IV, Chapter V. During the interval, the number of 1-yen silver coins exchanged for gold coins amounted to 45,588,369 yen. Of this sum, 38,648,297 yen was received in direct exchange for gold coins, and 3,977,099 yen was first received into the Government Treasury in the form of revenues and other public payments and then exchanged for gold, while the amount received into the Government Treasury at Formosa and there exchanged was 2,962,973 yen.

Besides these, there was the sum of 29,505,453 yen 4 sen 2 rin which had been received into the Mint Bureau in bullion form, previous to the promulgation of the Coinage Law, and which had not yet been minted into 1-yen silver coins, but against which the Promissory Notes of the Mint to pay silver yen had been issued. This amount of promissory notes, therefore, the Government was under obligation to exchange for gold coins. Now a portion of these notes was redeemed previous to the enforcement of the Coinage Law in exchange for the convertible notes and turned into bullion to be coined into subsidiary currency, while the rest was exchanged for gold coins simultaneously with the enforcement of the Coinage Law.

In other words the total of 1-yen silver coins and the promissory notes of the Mint, withdrawn from circulation in connection with the adoption of the gold standard, was altogether 75,093,822 yen 4 sen 2 rin.

SECTION III.

Circumstances attending the withdrawal from circulation of 1-yen silver coins.

On making investigations as to the condition of circulation, both at home and abroad, of the silver yen, previous to the enforcement of the Coinage Law, the Finance Minister (Count Matsukata) found reasons to fear that an unexpectedly large amount of the silver yen might be brought back from abroad to be exchanged for gold coins, causing a large loss to the Government, if there should occur any marked depreciation in the price of silver. There was further a fear that, owing to such marked depreciation, counterfeit 1-yen pieces might find their way into this country in connection with this increased importation. Under these circumstances, the provisions of Art. XVI of the Coinage Law, fixing the period for exchanging the silver yen at five full years beginning with the day following the prohibition of their circulation, was now considered to be unnecessarily long. It was therefore thought advisable to shorten

the time limit to three months after the date of the demonetization, making the period end with the 30th of June, 1898 (31st year of Meiji). With this object in view, he now submited to the Cabinet Council a draft of the law embodying this policy, accompained by the following memorandum:—

Whereas it has been provided by the 2nd clause of Art. XVI of the Coinage Law (Law No. XVI of the 30th-year of Meiji), that the period allowed for the exchange of one yen silver coins should be fixed at five years after the prohibition of their circulation, it is submitted herewith that, judged from the circumstances attending their circulation, it would appear advisable to complete their exchange as soon as possible. In consequence I venture to propose that, in accordance with a draft of an Imperial ordinance submitted separately, the Government should prohibit the circulation of the one-yen silver on and after the 1st day of April, 31st year of Meiji, and limit the period of their exchange to the 30th of June of the 31st year of Meiji. I ought to add that I do not expect that this shortening of the period allowed for exchange would in any way interfere with the said work of exchange either at home or abroad.

The draft of the law mentioned above having been submitted to the Cabinet Council on the 2nd of September, was presented to the 11th session of the Imperial Diet, in the month of December, but as the said session of the Diet was dissolved on the 25th of the same month, the bill did not come up for discussion at all. Subsequently, however, the Finance Minister, Count Inouye (who succeeded Count Matsukata on the change of Cabinet), recognizing the necessity of the measure, submitted the following memorandum to the Cabinet Council on the 17th of March of the 31st year of *Meiji*:—

Whereas in accordance with the 2nd clause of Art. XVI of the Coinage Law (Law No. XVI of the 30th year of Meiji), the period allowed for the exchange of 1-yen silver coins was fixed at five years after the prohibition of their circulation; and whereas the date of the prohibition of their circulation was subsequently fixed for April 1st of the 31st year of Meiji, by Imperial Ordinance No. CCCXXXVIII; it will be for the interest of the Coinage Reform, that the exchange of the silver yen shall be effected as speedily as possible. Besides, should the price of silver keep on depreciating, there is no little danger of counterfeit coins being

produced. For these reasons I believe it will be advisable to shorten the period of exchange, by making the 31st of July of the current year the close of that period. It may be added that since it is now clearly known that the quantity remaining at home to be exchanged has become small, the shortening of the period will not interfere with the successful completion of the work of exchanging. Such being the case, this measure is now submitted to the Cabinet Council together with the accompanying draft of the law embodying the proposed measure.

The above mentioned draft of the law concerning the period of exchange of 1-yen silver pieces was presented to the 12th session of the Imperial Diet, which was opened on the 19th of May, 1898 (31st year of Meiji), and was placed on the order of the day of the House of Representatives on the 21st of May. After listening to an explanation of the bill from the Government delegate, the House sent it to a special committee of nine. On the 27th of the same month the chairman of the special committee reporting on the bill in its favour, it was presented to the House for debate which brought forth an expression of dissent to the way the silver coins were examined during the process of exchange as being unnecessarily strict. Accordingly the Government promised to adopt a less rigid course, and the House passed the bill, dispensing with the successive readings. In the House of Peers the bill came up for debate on the 31st of the same month. Here also after an explanation from the Government delegate, it was immediately entrusted to a special committee of nine and on the 4th of June, the chairman of the said committee having reported favourably on the bill, the House at once adopted it, dispensing with the reading stages. Thus the bill passed the two Houses without a single alteration. draft of the law concerning the period allowed for the exchange of 1-yen silver coins, after thus being passed by the two Houses, was promulgated, as stated in Section IV, Chapter V, on the 10th of June, as Law No. V. It runs as follows:-

Law No. V of the 10th day of June of the 31st year of Meiji (1898).

The exchange of 1-yen silver coins shall cease with the 31st day of July of the 31st year of Meiji.

Now it was known that in numerous instances counterfeit coins forged in China had been found among the 1-yen silver pieces in circulation. In addition there having arisen a danger that other counterfeit coins would be struck off with silver of inferior quality, (as the silver yen would be redeemed in gold even while silver kept on depreciating in price), the Government thought it advisable to make rigid examination in testing the genuineness of the coins brought in for exchange. This called forth from some quarters a complaint that the examination was somewhat over-strict; but the latter circumstance never caused even the least delay in the work of exchange. Moreover, since the Government notified the public by Finance Department Notification No. XLIX of June of the 31st year of Meiji, as stated in Section IV of Chapter V, that after the prohibition of the circulation of the silver yen, the Government Treasury in any locality would, on being asked to change 1-yen silver coins for legal currency, accede to the request, and that the Government would allow the use of silver yen in paying taxes or in any form of public payments, it must be said that a most ample provision was made for the speedy retirement of the silver yen. This work of retiring, as judged from its result, was carried out in the most satisfactory manner indeed.

Now on looking back to the circumstances which attended the exchange we see that there had been a total issue of 165,133,710 yen in one-yen silver coins. Of this amount, a net total remaining abroad (or the residue obtained by deducting that which having once gone abroad found its way back into this country by the 31st of July, 1898, the day on which expired the period allowed for the exchange of one-yen silver) was 99,508,740 yen. Again, the sum of 11,028,633 yen was taken and disbursed abroad during the War with China; while that which remained unexchanged by the 31st of July of 1898, out of the amount sent to Formosa after the island had become our possession, was 5,732,027 yen. On the other hand the amount exchanged for gold coins between October 1st of 1897 (30th year of Meiji) and July 31st, 1898 (31st year of Meiji), was 45,588,369 yen. Besides this the amount recoined by the Government was 460,904 yen. Thus the total accounted for

stood at 162,318,673 yen, which as compared with the total sum which had been issued, showed a difference of 2,815,037 yen,—the amount which was not exchanged within the period set apart for exchange, and which probably was lost or destroyed at home or taken away by foreign travellers.

The amount of the silver yen exported abroad being thus quite considerable, it was most important to institute inquiries for finding out the amount which would probably return home for exchange. Now the Government had never relaxed its efforts to keep track of the movements abroad of our one-yen silver coin, ever since the Government had succeeded in establishing a system of paper money exchangeable with silver coins by accumulating specie through the utilization of the Reserve Fund. It was seen that Shanghai had little demand for our silver yen, which passing principally through Hongkong found its way to Singapore; thence scattering into neighbouring regions. The silver yen exported was thus circulated in the Straits Settlements and neighborhood, being to a large extent used in paying Chinese emigrant labourers. These Chinese of whom there were about two hundred thousand in these regions, were all in the habit of going back to China as a rule once in every five years; and it was ascertained that in going home they usually took with them the silver yen which they would subsequently melt down into bullion. From these facts, it was found that the silver yen, commonly in circulation in the Straits Settlements were not more than seven or eight million yen. Now further, taking into consideration the probable amount in circulation in other regions abroad, it was estimated that the coins that might be expected to return home for exchange would be about ten million yen. Nevertheless, previous to proposing the Coinage Law in February 1897 (30th year of Meiji), the Finance Minister (Count Matsukata) despatched telegrams to Japanese consuls stationed at various places, instructing them to report in regard to facts concerning our one-yen silver coin in their respective regions. The reports which were sent in were as follows:-

Report of the Consul at Fusan:—(By telegram, dated February 22nd, 30th year of Meiji).

The Japanese 1-yen silver coin in circulation in this port is about 20,000 yen.

Report of the Consul at Chemulpo:—(By telegram, dated February 22nd, 30th year of Meiji).

The 1-yen silver coin now in circulation in this port is about 30,000 yen. About 70,000 yen more are expected to arrive here within a week. The amount in circulation in the interior can not be ascertained.

Report of the Consul at Chefoo:—(By telegram, dated February 22nd, 30th year of Meiji).

The 1-yen silver coin in circulation in this port is about 700 yen and in perfect condition; there are about 1,200 yen of smaller silver coins. Our silver coins which were disbursed at Wei-hai-wei have nearly all gone to Shin-king province via this place.

Report of the Consul at Singapore:—(By telegram, dated February 22nd, 30th year of Meiji).

The Japanese silver yen in circulation in this port is I believe between 7,000,000 and 8,000,000 yen.

Report of the Consul at Hongkong:—(By telegram, dated February 23rd, 30th year of Meiji).

The amount of Japanese silver yen in this port is by rough calculation, 500,000 yen.

Report of the Consul at Tientsin:—(By telegram, dated February 21st, 30th year of Meiji).

The silver yen in circulation in this port is very little in amount and does not exceed 5,000 yen. Have never seen a chopped silver yen.

Report of the Consul at Shanghai:—(By telegram, dated February 21st, 30th year of Meiji).

Investigations show that the Japanese silver *yen* irrespective of its being chopped or not, is not in circulation at all in this port, beyond a small quantity of our subsidiary coins which may be noticed at times. The details concerning the matter will be sent by mail.

Report of the Consul at Fusan:—(By telegram, dated March 5th, 30th year of Meiji).

The Japanese one *yen* silver in Wön-san is about 43,500 *yen*. The above by request of the Consul at Wön-san.

In the light of the foregoing reports, it was finally decided to put the estimate of the 1-yen silver coin returning home for exchange at ten million yen. Now the actual import of the silver yen between October 1st, 1897, and July 31st, 1898, amounted to 10,846,465 yen. Thus the work of retiring one yen silver coins was finally accomplished with but a small discrepancy between the actual amount of the imported silver yen and the amount estimated.

Subjoined are the most important of the reports received concerning the condition of our one-yen silver coin circulating abroad, during the period commencing with the promulgation of the Coinage Law and ending with the prohibition of the circulation of the silver yen.

Report concerning the circulation of one-yen silver coin in Fusan and its vicinity:—(Condensed extract from the report of the Chamber of Commerce at Fusan, dated August, 30th year of Meiji).

In trying to make a detailed and reliable report on the condition and amount in circulation of our coins, in the two provinces of Kvöng-sung-do and Chöl-la-do, which have the most important trade relations with this port, we have found it practically impossible to do so, on account of the absence of reliable data to go by. We can but make conjectures, basing them on the information obtained from our traders who frequent the interior as well as from the personal accounts of Koreans and our settlers. There does not exist, however, any uniformity of opinion among these people. Especially is this the case in regard to Chöl-la-do; some say that our coins enjoy the greatest credit and widest circulation, preference being given to them even in the monetary transactions of the natives among themselves; while on the contrary, there are others who say that our currency does not circulate at all among the Koreans, it being used by them only for making payments to the government. On our making further inquiries, we are inclined to regard the latter opinion as nearer the truth. The amount of our currency in actual circulation in the above two provinces is probably somewhere about 200,000 or 300,000 yen (another opinion puts it at about 500,000 yen); three quarters of this is in Kyöng-sung-do and the other quarter in Chölla-do. Classified according to their nature, it may be said that the Kyöngsung-do's share consists of equal parts of paper and silver, and that of Chöl-la-do, largely of 1-yen silver coin, the paper currency being limited to about two or three per cent. of the amount. As for small

subsidiary silver and copper coins, it would appear that they are to be found only to a very limited extent, hardly worth estimating. Besides those mentioned above, the amount in circulation solely in and about this settlement may be put at not less than 300,000 yen. The paper currency in circulation consists of the denominations of 1-yen, 5-yen and 10-yen.

While our silver currency is sought after in Chöl-la-do province, as stated above, for the purpose of making payments to the government, it is otherwise not without demand among the people at large. Their object in most instances is not, however, to use it as money, but to turn it into bullion for the purpose of manufacturing ornaments, such as hair-pins, bracelets, rings, tobacco-pipes, etc. For this reason, wherever one goes, it is quite easy to obtain five hundred to five hundred and ten mon of Korean cash for our 1-yen silver coin; in some places the latter being exchanged, as report goes, even for five hundred and twenty mon of Korean cash. That our silver coins are held in such high estimation everywhere is due probably to the fact of these coins being of assured quality, while their counterfeits are only very seldom met with. This will probably explain the reason of partiality on the part of the Koreans for our currency. At the same time those Koreans who have learned that our paper currency can at any time be changed for silver coins, even prefer the paper on account of its being handy and convenient both for transacting business and for hoarding. This is why in the province of Chöl-la-do which adjoins this port so much more paper money, as compared with other provinces, has found its way, and is being circulated among the Koreans at large.

Appendix:-

According to the personal observation of one who lately travelled through Kang-wön-do: it seems that in the central part of that province our one yen silver and subsidiary coins (nickel and copper coins included) can be passed everywhere without any difficulty whatever, at the rate of 500 mon of Korean cash for one yen silver and the proportionate rate for subsidiary coins; but as soon as we step out of the boundary of this province and enter the north-eastern part of Kyöng-sung-do we find that, although not rejected, the silver yen can realize only 470 to 480 mon of Korean cash. This difference is supposed to be owing to the fact that the people of that locality follow the exchange rate ruling in Fusan; further, our other subsidiary coins do not pass in the province at all.

Again, according to one itinerant peddler who has recently returned from Chöl-la-do, there is a growing demand for our silver currency in that province, people being inclined to accept from preference our silver coins in payment for their grains and other merchandise.

For this reason, it will be more convenient for merchants going into this province hereafter to take along with them our silver coins instead of Korean cash.

Report concerning the circulation of 1-yen silver in Chemulpo and its vicinity:—(Condensed extract from the report of the Chamber of Commerce at Chemulpo, dated May 10th, 30th year of Meiji).

Only a conjecture can be made in regard to the present amount of our currency in circulation in the four provinces of Kyöng-kwi-do, Chhang-chhöng-do, Hwang-hai-do, and Phyöng-an-do,—there being no data in existence to rely upon. While in consequence of this fact no accurate report can be made, yet the amount may be roughly estimated at three million yen. Next, as to the circumstances attending their circulation and the rates at which they are passed, we can offer again but mere surmises. Since, however, different districts present different features, we will try to make our report according to localities.

I. Kyöng-kwi-do.

Since this do or province, comprises within its bounds the Japanese settlements at Chemulpo, Seoul, etc., our paper currency naturally enjoys here more credit and is circulated more largely than in other parts. At the same time the silver yen constitutes probably six-tenths of the amount in circulation, so that notes and subsidiary coins together may be said to make up the remaining four parts.

II. Phyöng-an-do, Hwang-hai-do, and Chhang-chhöng-do.

Throughout these three provinces our 1-yen silver coins compose nearly all of our currency in circulation; and while paper money and subsidiary coins are not altogether wanting, their amount is extremely small.

To sum up, it is a fact that the degree of credit our 1-yen silver coins enjoy among the Koreans in this neighborhood is really beyond expectation. Everywhere they can be passed without the least difficulty, and they possess the exchange value of 510 to 560 Korean cash.

Report on the circulation of 1-yen silver coins in Seoul and vicinity:—
(Condensed extract from a report of the Chamber of Commerce at Seoul, dated July 3rd, 30th year of Meiji).

Of the amount of our 1-yen currency in circulation in this locality (throughout Seoul), about 1,200,000 yen are in silver coins and 800,000 in notes.

With the exception of 5-sen silver pieces, our currency is enjoying full credit; the credit of 1-yen silver coins being especially excellent.

On account of a fear that 5-sen silver coins would easily get lost, it is said that they do not pass in country places, outside the radius of three or four ri from this city.

Further, 2-sen copper coins do not pass outside the city precincts; 5-rin copper passes only for 1-mon Korean cash.

As to the condition of circulation of our silver yen and the notes or bills convertible in that coin, on the going into effect of the Coinage Law, we are inclined to believe that people in and about the city precincts will give full credit to them as a convenient medium of exchange; in country places, however, though there may be not rouble in passing them, the people may be somewhat in haste to get them cashed; in other words, in these country places their credit will be less than in the city.

Report on the condition of circulation of 1-yen silver coin in Wön-san and vicinity:—

Report I:—(Report of the Consul at Wön-san; dated March 6th, 30th year of Meiji).

It is impossible accurately to ascertain the amount of our silver yen to be found in this port; but according to the opinion of the officials of the branch office at this place of the 18th National Bank, the amount may be roughly put down thus: 18,500 yen in the possession of the said branch, 4,500 in the hands of our merchants, 3,000 held by Chinese merchants, and 17,500 yen by Koreans in Wön-san district. Again, according to the opinion of our traders, at least 15,000 yen are thought to be found in the regions of Tau-chhön, I-wön, Puk-chhöng, Ham-o, etc.,—centres of production for Min-tai-yyo (a kind of haddock) and soja beans,—and over 10,000 yen in Ko-söng, Kam-su, Koryo, in southern Kang-wön-do, places where dried sardines are produced.

Report II:—(Condensed extract from a report of the Wön-san Chamber of Commerce; dated May 15th, 30th year of Meiji).

The amount of our currency in circulation in our settlement and that of the Chinese in Wön-san, and in its vicinity, is roughly estimated as follows:—

											yen
Silver curren	cy		٠	٠				۰	۰		60,000
Paper ,,		٠		p	٠	۰	0	٠			90,000
Total										no.	150,000

Credit and circulation of our currency among Koreans in Hamgyong-do and Kang-wön-do:-On this point, there does not seem to exist much difference between the two provinces; the credit is confined to our silver currency outside of Wön-san and vicinity,-the paper currency being most rarely met with, in fact it may be said with correctness that the paper money is not circulated at all outside of Wön-san. In other words the area of circulation of our paper currency is confined to Japanese and Chinese settlements and Wön-san proper, so that its amount is very small. The silver coins on the other hand enjoy much credit, being in circulation even in the region of Kil-ju in Ham-gyong-do and within a radius of 30 or 40 ri of Wön-san in Kang-wön-do. Especially in the sardine season, a comparatively large amount is annually said to be circulated in Kang-wön-do, though the circulating area is narrower here, as compared with Ham-gyong-do; while in the latter province, the circulating area being much larger, it may be taken for granted that its credit and amount are several-fold. Under these circumstances the amount in circulation of our silver coins in these two provinces may be put down at about fifty or sixty thousand yen.

Reports on the condition of circulation of 1-yen silver coin in New-chwang:—

Report I:—(Condensed extracts from the report of the Consul at New-chwang; dated February 25th, 30th year of Meiji).

Previous to the late war, Japanese silver currency was a thing of extreme rarity in this port, being hardly recognized as circulating currency. During the campaign, however, with the disbursements in defravment of our military expenses in Liao-tung Peninsula, Japanese silver currency began to circulate in great abundance, even to such an extent that its rate against copper cash came to be quoted in the market here. Even then, however, it was not free from a disparity of 200 to 300 mon (32 to 48 copper cash) as compared with the Mexican dollar. Since the melting of the ice this season, however, a change has come over the situation, and Japanese silver yen began to rise markedly in value, until we have come to see a disparity in its favour of over two hundred mon in comparison with the Mexican dollar. The cause for this is probably to be attributed to the fact that the number of natives who want Japanese yen in payment for various kinds of beans they bring down is increasing. But going a step further in ascertaining the reason for the partiality shown toward the Japanese silver in preference to the Mexican, by these natives of the interior, we must note the fact that Mexican dollars,

having long been in circulation throughout China have become considerably worn off, as well as the fact of the presence of counterfeit coins among them and the difficulty of distinguishing the genuine ones from the counterfeits, on account of their rough workmanship and design; on the contrary, the Japanese coin is finer and more distinct in design and appearance and less worn off, so that there is no room for counterfeiting. As for the amount of our silver yen disbursed in this port alone during its occupation by our army, it undoubtedly was over 100,000 yen, but the bulk of it has since drifted into the interior and the amount to be found here now will not reach ten thousand yen. Such being the condition of the market, the searcity of Japanese coin is increasingly felt here, while its price is constantly rising.

The above account is in reference to one-yen silver coin alone. As regards the smaller silver coins, while Hongkong coins are occasionally met with, the greater portion in circulation consists of our 10-sen and 20-sen pieces, which are above the former in point of credit, this, as in the case of the silver yen as stated above, probably owing to their being less worn off.

In all the places once occupied by our army, we find our silver coins circulating, being, it is said, most largely circulated in Port Arthur. Here in New-chwang, the rate of the Mexican dollar as against copper cash fluctuates according to the condition of the market, but as a rule 6 strings (960 copper cash) is taken as a basic figure, the rate seldom getting down below that.

Report II:—(Condensed extract from the report of the Consul at New-chwang; dated March 12th, 30th year of Meiji).

As regards the circulation of our silver yen in the interior of Shinking province, especially in this port, my report has already been sent in. Since then I was by permission out on a tour, and found that in every locality between here and Mukden the Japanese silver yen was in circulation. It was my intention to make some investigation concerning our currency in the three localities of Mukden, Liao-yang, and Hai-ching; but owing to illness I was compelled to hurry back, so that I was not able to carry out my original plan. I have obtained, however, some information as to the condition of circulation of our silver coins at different points on my route, and a brief statement of the same I now beg leave to forward herewith as supplementary to my previous report:—

1. The castle town of New-chwang (95 Chinese miles from this port).

In this region 164 copper cash make 1 string (chao). It thus contains four more coppers than 1 string at this port; the rate of silver currency is 8 strings per one yuen (i. e. one yen or dollar). There are some Mexican dollars in circulation but the Japanese silver comprises the greater portion of the silver money of the region and enjoys a credit far above that of the former.

For this reason the silver *yen* is in this place higher by 2 strings (*chao*) (328 copper cash) in its exchange rate as compared with that in this port.

Again concerning the smaller silver coins: 1 kok (of 10-sen pieces) of these changes here for 800 mon (8 phai), so that 10 kok would equal 8 chao; that is to say, the smaller silver coins circulate at the same rate of exchange as the silver yen.

2. The vicinity of Hai-ching

I did not visit Hai-ching, but information obtained in its vicinity is as follows:—

- a. Sze-ho-tai:—This place is a highway town at a distance of 45 Chinese miles from Hai-ching. In this place 196 copper cash make one string (chao). Both the Japanese yen and the Mexican dollar pass for 8 strings (1,568 cash); so that while they circulate here nominally at the same rate as in New-chwang, they stand for a larger number of copper cash. Though no special disparity is noticed between the Japanese yen and the Mexican dollar, the favour shown toward the former is as a rule far above that for the latter.
- b. Sha-he-tsze is a village (100 Chinese miles from New-chwang castle) situated midway between the New-chwang-Liao-yang and the Hai-ching-Liao-yang roads. In this place 1 string (chao) consists of 162 copper cash, and the Japanese yen is exchanged for 7 strings and 200 mon (2 phai). Practically no Mexican dollars are in circulation here.

As for smaller silver currency: 1 kok Japanese currency (of 10 sen coins) is exchanged for 600 mon (6 phai), so that as compared with the silver yen its rate is proportionally smaller, but it has a very good circulation. The Hongkong silver cents are not only in circulation to but a small extent, but they are not well received, while the Canton silver cents fare worse still.

3. Liao-yang:—Here 1 string consists of 162 copper cash and the Japanese silver *yen* is exchanged for 6 string (*chao*) and 500 *mon* (5 *phai*). The amount of the Mexican dollar in circulation is small and besides it is not well received. Here again 1 *tael* of silver bullion (Horse-shoe "yuenpho" silver) is exchanged for 10

string (chao) and 600 mon (6 phai).

4. Mukden and its vicinity:—In Mukden one string (chao) consists of 164 copper cash, and the Mexican dollar (yen or dollar) is exchanged for 6 strings. Though there is no disparity between the Japanese yen and the Mexican dollar, there is more of the former in circulation. As for small silver coins, one kok of them is exchanged for 600 mon (6 phai).

From the above, it will be seen that our silver yen has now found its way far into the interior of China beyond the limits of the places at one time occupied by our army, and is there supplanting the Mexican. Now the reason why the natives of the interior show fondness for the Japanese yen is solely because ours is finer and more distinct in shape and design, and can be more easily distinguished from its counterfeits, (which in fact are very rarely to be met with); and then the Japanese coin is far less worn off than the Mexican and moreover contains a larger proportion of silver. These being points which the Chinese are particularly shrewd in noticing, it is expected that the Japanese yen will steadily grow in credit and popularity in these regions. However as things stand to-day, the circulation of our silver yen in these localities is limited in amount, being confined to those that were disbursed for military purposes during previous years. Hence if in the future there is annually introduced into the interior, say 100,000 yen, its circulation in the interior will be yet more accelerated, and I believe it will not be difficult to drive off the Mexican entirely from the field.

In Liao-tung peninsula they call copper cash *Tungchen* and fix its lowest unit at 1-phai (100 mon), while ten phai make 1-chao. As to how many copper cash make 1-phai, it differs according to different localities; for instance in this port (*In-kao* or commonly called New-chwang), it is 160 cash but at the castle town of New-chwang 164 cash.

Report III:—(Report dated August 27th, 30th year of Meiji).

**** In New-chwang there has always been more or less of our silver yen in circulation since the late war. At present it is reported that our silver yen is being bought by foreign merchants and the branch office of the Mitsui Bussan Kwaisha.

Report IV:—(By the Consul at New-chwang; dated August 30th, 30th year of Meiji).

Ever since the rate of exchange between Japan and Shanghai has begun to show a daily rise, the Branch of the Russo-Chinese Bank, some Japanese traders, a few Chinese and the resident Japanese merchants in this port have begun to buy all the silver yen that can be got. The explanation is not far to seek. The rate of Japan-Shanghai exchange having risen to over 80 taels at present, if they bought silver yen at the rate of 72 to 73 taels per 100 yen at this port and shipped them to Japan and then sell at Shanghai the bills of exchange on Japan, the transaction would prove quite profitable. In addition, the Japan-Shanghai exchange rate showing but one tendency to rise steadily, and everybody being engaged in buying the Japanese coin, the market quotation for it has steadily been appreciating in this port and to-day it runs from 75 to 76 taels. It is now expected that the competition among the buyers, and searcity of the silver yen will force up the quotation still higher.

The amount of the silver yen secured so far by foreign and Japanese merchants here is thought to be somewhere about sixty or seventy thousand yen. Now Liao-tung peninsula is the place where our silver yen is in circulation to the largest extent in China. But a greater portion of that peninsula's commercial relation being with Chefoo, rather than with this port, the movement of the local silver also makes Chefoo its central point, so that all the silver yen that can be absorbed at this port is confined to what is circulating through a zone extending from Kai-ping, New-chwang, Hai-ching, etc.—places formerly occupied by our army—as far as Mukden. But in these regions, the amount of our silver yen is not expected to reach 200,000 yen altogether, while its rate of exchange with copper cash is far higher than in this port; for in this port our silver 1-yen changes for 5 strings (chao) and 600 or 700 mon (5 chao and 600 mon = 896 copper cash), while in the interior the rate is from 6 strings (= 960 copper cash) to 6 chao and 400 mon, for one silver yen. It is thus but natural that the silver yen should be drawn into the interior where it is circulated among the farming population at large; so that it is no easy thing to absorb it here. The total of the silver yen exported since last month to Japan by the business people above mentioned it is not yet possible to ascertain; but the ships belonging to the firm of Bandinel & Co. of this place alone have already shipped over 10,000 yen.

Reports on the condition of circulation of the silver yen in Tientsin:—
Report I:—(By the Consul at Tientsin; dated February 25th, 30th year of Meiji).

In accordance with the telegraphic instruction to investigate and report concerning the amount in circulation of Japanese silver currency in the Tientsin market at present, distinguishing the perfect from chopped coins, I wired at the time an answer to the effect that the present

amount of silver currency in this place was only about 5,000 yen and that chopped silver coins were not to be met with; that message I trust has already reached you.

Now our silver yen is not circulated as currency here at all, but it is said that no small part of that currency placed in circulation throughout Liao-tung peninsula during the late compaign is taken here by traders to pay for merchandise. These 1-yen pieces are exchanged for Mexican dollars at a discount of 5 sen to 5 sen and 5 rin. Among various objects for which these Japanese coins are used, may be mentioned in the first place the fact that, since they pass at par with Mexican dollars in Liao-tung peninsula, not a few of the traders who go out to that peninsula to buy goods, buy here Japanese coins in order to take them along with them; secondly, no small quantity of our silver coins is probably bought here by silversmiths at par price with Mexican dollars, on account of the superior quality of our silver coins, for the purpose of melting them down for manufacturing women's ornamental articles. From these causes it may be presumed that, at no distant future, our silver coins will altogether disappear from the market here. The silver currency in circulation here is mainly of the two kinds, the Mexican dollar and the new silver dollar coined in Hongkong.

Report II:—(Report of the Consul at Tientsin; dated August 28th, 30th year of Meiji).

As regards the condition of circulation of our silver yen in this port, it may be said that it does not pass as currency in the market here, so that it is not known by the general public at all. At the time of my former investigation its amount here was found to be no more than 5,000 yen, and this small amount has not been enough to create a general interest. In consequence there does not seem to have occurred yet any tendency on the part of the Chinese merchants to speculate by trading in Japanese coins. At the Chinese brokerage in Tientsin, the present rate of exchange between Japanese yen and Mexican dollar stands at 1.025 yen for one Mexican dollar. Since formerly the rate was 1.050 yen for 1 Mexican dollar, our 1-yen coin has thus appreciated by .025 sen; yet it is still below par. This may perhaps explain the present attitude of the Chinese concerning our silver yen. In the foreign settlement here, however, the rate of exchange between Tientsin and our country has steadily been advancing since last month, and it stands nearly at 84 Chinese taels per 100 yen. Now since the present rate of exchange of the Chinese tael is 72 tael per 100 Mexican dollar, it will take 116 Mexican dollars to buy a draft of 100 yen drawn on Japan.

In spite of this rise in the rate of exchange, various banks in the settlement appear to be accepting our silver yen at its former rate, the reason probably being that there are only so few of them here. However amongst the Japanese merchants here, who have close trade connections with our country, there are some who, perceiving the profitableness of sending home our silver coins have begun purchasing them, and it is said the transaction is being effected at the rate of one Mexican dollar for one Japanese yen. The branch office here of the Nippon Yusen Kwaisha has, since the beginning of the present month, made it their rule to have fares paid in Japanese silver currency, charging ten per cent. discount when paid in Mexican dollars. So much for the condition of things in the settlement here. To sum up then, those who handle our silver currency in this region are limited to only a section of the merchants in the settlement who have close business relations with Japan; while even amongst the latter, the branch of the Nippon Yusen Kwaisha as stated above is the only party who has put a premium price on our silver currency as compared with Mexican dollars.

Reports on the condition of circulation of the silver yen in Chefoo:—
Report I:— (Condensed extract from a consular report; dated
Chefoo March, 30th year of Meiji).

The amount of Japanese silver currency that passes in and out of this port as a channel of distribution is quite considerable. Chemulpo, Wei-hai-wei and Liao-tung peninsula may be named as places from which our silver coins are imported, especially the last named region sending it in the largest quantity. During the summer season, foreign war vessels that put in here leave more or less of these coins behind As for the destination, they all go to Liao-tung peninsula: the amount thus shipped last year, it is said, was not less than 400,000 yen. Their amount now in circulation here is, however, about 700 yen in 1-yen and about 1,200 yen in subsidiary coins; while no chopped silver yen are to be found. As for the condition of circulation, the Japanese silver currency enjoys a great confidence in Liao-tung peninsula. being used in all daily transactions, and there is no fluctuation in its price. The reason for so much confidence shown to it lies in the fact that there are so few counterfeits among its number and because it is so fine in appearance. In consequence, at Chefoo also, which has a close trade connection with Liao-tung peninsula, it has steadily increased its credit, as a result of its favourable reception in Liao-tung peninsula.

Report II:—(By the Department of Foreign Affairs; dated April 19th, 31st year of Meiji).

. The present amount of our silver currency in this port is about 5,000 yen, together with 1,500 of paper money,—total 6,500 yen, and though the amount may increase in the future, such an increase will not be very considerable. Credit enjoyed by our currency in Liao-tung peninsula is quite as much as in the past. Besides, the exchange rate of our silver yen in the 2nd month of the lunar calendar having been higher than that of Mexican dollar by one momme, that is, our silver showing a high price of 8 momme 3 fün, it has now become almost a customary thing amongst those who go over to Liao-tung peninsula for the purpose of buying goods, to vie with each other in taking along with them our silver yen. Indeed up to a short time since, the amount thus taken over was said to have reached about 30,000 yen. There being expected no further demand for our currency in that direction, there has already appeared here some disparity between the price of our currency and the Mexican dollar, so that as compared with the latter, the former has now to pay a premium in exchange.

Reports on the condition of circulation of the silver yen in Shanghai:—
Report I:—(By the Consul at Shanghai; dated February, 30th year of Meiji).

In spite of the fact that the Japanese currency does not circulate at all in Shanghai there seems to be, amongst our business men at home who are not familiar with the state of things here, many who still entertain an erroneous opinion that our currency is enjoying the same credit in Shanghai, as in Hongkong and other ports west of it. The circulating currency of Shanghai is of two kinds, the silver tael and Mexican dollar, the latter being the more influential of the two. This is probably owing to the fact that the Mexican dollar is, as compared with the silver tael, more trustworthy and much safer to use in transactions, hence more fit as a medium of exchange. As for the Japanese silver yen, despite the fact that it is equivalent in value to the Mexican dollar and that it is possible to maintain the identity of the rate between them, it can not command the credit due it in commercial circles here. This is owing mainly to the fact that the custom house authorities of this port, have not yet permitted its use in the payment of custom duties. It is indeed a matter of extreme regret that as a result of this we can not see our silver ven circulating in this central market of the Orient. As for our subsidiary coins, 10-sen, 20-sen and 5-sen pieces are more or less circulated among the Chinese and are not altogether rejected by European

merchants, but the amount thus circulated is decidedly small; being only suffered to pass, so to speak, mixed up with the 20 cents, 10 cents and 5 cents (subsidiary) coins of Canton, Hupei and Hongkong. (The smaller coins of Formosa have, since the cession of the island, incurred the general hatred of the Chinese and do not pass at all). In other words the smaller Japanese coins are not accepted as Japanese currency, but are merely allowed to pass, being not purposely rejected, when they happen to be found among other subsidiary coins.

Before the late War, Japanese currency was at times imported here in connection with trade between Korea and China. It was done as follows: when the Korean merchant wished to make a draft remittance to Shanghai, he did not have a rate of exchange to go by between the Korean currency and the Chinese tael, neither did he have any kind of currency to ship over to Shanghai, except Japanese silver coins and paper money; he therefore bought these and shipped them to Chinese merchants in Shanghai, who in turn had them discounted at the Shanghai branch of the Yokohama Specie Bank on the basis of comparative quantity of pure silver to be found in the Japanese yen and the Chinese tael (Mexican dollar being used as a medium of comparison); and in this way merchants of the two countries used to settle their commercial accounts. Again, after the War it was in no small quantities that Chinese merchants or Chinese soldiers brought back Japanese silver coins from North China, and at one time the amount discounted by the branch of the Specie Bank at Shanghai and regularly shipped home rose to over 10,000 yen per each mail. But this was only a temporary affair, and with the lapse of time, Japanese currency may be said to have disappeared entirely from the banking circles of Shanghai; the amount brought by different banks to the branch office of the Specie Bank for exchange being no more than about 1,000 yen a month. Occasionally more or less Japanese silver coins are brought over from the direction of Korea and Hongkong, but such is merely a temporary phenomenon of trade; and though those coins thus come in sometimes to this port, they are exchanged at once at the Specie Bank for the stamped silver yen. and shipped away again to Japan, Korea or Hongkong.

Report II:—(By the Consul at Shanghai; dated August 27th, 30th year of Meiji).

* * * * * It is extremely difficult to ascertain the amount and kind of silver coins that have thus far been shipped to Japan, indirectly via places other than this port. However it will not be difficult to know the general amount of silver coins shipped directly from here to Japan; to wit, the total of silver coins (there is no doubt of their having been

entirely of our silver *yen*) shipped per the steamers of Yusen Kwaisha from the middle of May last up to date, was about 55,260 *yen*, as stated in the accompanying paper (here omitted). The bulk of this amount is said to have come from Korea, Liao-tung peninsula, Chefoo and Foochow, as a result of trade transactions or business speculations * * * * *

As the date for the going into operation of our Coinage Law draws near, Chinese brokers here are awakening to the situation. They are now singling out and setting apart our small silver coins and in consequence the subsidiary coins in circulation here have come to consist mainly of the silver pieces coined in various Chinese provinces and in Hongkong. From this, it may be seen how closely Chinese merchants are watching the effect of the coinage reform in our country.

Report III:—(Dated August 27th, 30th year of Meiji).

* * * * * The amount of our silver currency shipped home by Chinese merchants here, from the month of May up to date, is about 60,000 yen. At present some of these merchants are said to be still buying our coins even at a premium of five to six yen per one hundred yen. The silver currency thus bought is said to have come from Korea, New-chwang, &c. * * * * *

Report on the condition of circulation of the silver yen at Amoy:—
(Consular report; dated Amoy, August 26th, 30th year of Meiji).

* * * * * The Shanghai and Hongkong Banking Corporation has from the beginning of this month commenced in earnest to buy our undefaced silver yen coins (commonly called by the Chinese "the unnumbered dragon silver"). At first the rate stood at 104 chopped yen for 100 yen; but at present they are paying about 106 chopped yen for 100 yen, and shipping them away from time to time to Hongkong. Further, they are despatching men to neighbouring points in the interior such as Chang-chu-fu and Tsuen-chu-fu in order to buy those coins hoarded by the people.

Reports on the condition of circulation of the silver yen at Hongkong:—
Report I:—(Consular report; dated Hongkong, June 1st, 30th year of Meiji (1897).

In response to your telegram of inquiry of the 23rd of February last, I submitted the result of my investigations at that time. Since then wishing to inform myself concerning the latest state of affairs, I

instituted another investigation, but have failed to discover any change in the situation since, except that the unchopped silver yen is unexpectedly small in amount. According to reliable information furnished by one who is in the exchange business here, the Shanghai and Hongkong Banking Corporation is thought to be at present the largest possessor of our silver yen. It is said that the amount of the chopped silver ven held by that bank is 235,000 ven and of the unchopped ones, 118.132 yen (estimates on May 31st). It is impossible to know the accurate amount held by the Chartered Bank (of Australia, India and China) and others, as well as by Chinese exchange houses and wealthy merchants; but in the opinion of the managers and compradors of these banks, the amount on hand of the unchopped silver yen is said to be very small and that if we put aside what is in the possession of the Shanghai and Hongkong Banking Corporation, the amount is no more than some seventy or eighty thousand yen altogether and certainly below one hundred thousand ven. The present total of the chopped and unchopped silver yen put together will be, therefore, something like 200,000 yen. At the same time it not infrequently happens that, owing to sudden changes in the rate of exchange between this place and the surrounding regions, namely, the various ports of Formosa, the sea-board towns of Southern China such as Amoy, Foochow, Shau-tau, Canton, the Straits Settlements and French Indo-China, several thousands, nav, several tens of thousands of the silver yen are imported here or shipped out from this place all at once. Indeed, when I interviewed the manager of the Chartered Bank to-day, he said that that bank intended to send within a few days thirty or forty thousand silver yen to Formosa. Again at the market here, a premium of 8/1000 is paid for the Mexican dollar and about 3/1000 for the Japanese silver yen. As stated above, the present amount of the unchopped silver yen found at this port is very small, but it is impossible to foretell its future increase or decrease. It must be remembered that the banks and large merchants of the neighbouring centres of business generally have their principal offices or branch offices here; besides, as you are well aware, this port has the best facilities for transporting things to Japan. Hence it may happen that the silver yen shipped to Japan by the banks and merchants of places outside of this port may pass through Hongkong. Under these circumstances, it is impossible to estimate at this moment the amount of silver yen that may be shipped home from this port, after the going into effect of the Coinage Law.

Report II:—(Consular report; dated June 2nd, 30th year of Meiji).

In reply to your telegram of yesterday (i. e. the 1st), I wired you an answer that the quotation on our silver yen was at the rate of one thousand and three dollars in local currency for one thousand of the silver yen. On investigating the cause for this disparity I found that it was to be ascribed to the purchases of the silver yen, made by certain parties with the purpose of shipping it to various ports in Formosa and other neighbouring points where the silver yen was in demand; and that it was not owing to the intention of having it exchanged for gold on the coming into operation of the gold standard law in Japan. In support of the foregoing opinion, the case of the Mexican dollar may be cited; its market rate here being about 1,008 in Hongkong currency per 1000 pieces. The discrepancy between the Mexican and the Japanese silver must be explained by the fact that the former is heavier in weight and commands a greater demand in the interior of China than the latter. This at least is the opinion of those in business here and is herewith submitted for reference.

Report III:—(Consular telegram; dated August 5th of the 30th year of Meiji).

The quotations on Japanese coins and paper money are daily going up in a marked manner; to-day's rates being 1,048 dollars per 1,000 silver yen, and 1,047 dollars per 1,000 yen of notes.

Report IV:—(Telegram; dated Shanghai August 21st, 30th year of Meiji).

Actual exchange rate of to-day, 9 1/4%. The Hongkong and Shanghai Banking Corporation and the Chartered Bank constantly buying the silver yen, which had been secured by the Chinese in the Straits Settlements and brought over here. But any large transaction is not expected to take place.

Report V:—(Dated August 21st, 30th year of Meiji).

* * * * * and last evening I received your telegram which said: "How much is the premium on one-yen silver at your locality? Are there large transactions taking place?" I wired back to you, then, to the effect that that day's premium quotation on one-yen silver was 9 \(^1/_4\); and that the Hongkong and Shanghai Banking Corporation and the Chartered Bank have for some time since been steadily buying all the silver yen that had been secured by the Chinese in the Straits Settlements and

forwarded here; but that any large transaction was not expected to take place.

Since then the premium on our silver yen has risen, along with the rise in the rate of exchange for Japan, as may be seen from the accompanying table. [The table is here omitted]. For instance, it stood yesterday at the rate of 1,095 dollars per 1,000 yen. Among the Chinese some are even buying drafts payable in Singapore in order to use them for purchasing the Japanese yen in that place, at some premium, so as to have the latter shipped here and sold. Such being the state of affairs, the Hongkong and Shanghai Banking Corporation and the Chartered Bank have constantly been buying up silver currency; the former bank especially, being provided with an abundant silver capital, has right along been storing away the Japanese yen in its specie reserve, on the security of which its convertible notes are issued. But lately this bank has been using with renewed zeal every means in its power to secure our silver yen; and it is probable that the bank has had already some quantities shipped to Japan direct from Singapore. The aggregate amount of silver currency to be shipped from Singapore to Japan is said to be very large, while that which will find its way here through the Chinese will form but a small portion of that total.

The currency which is to take the place of the Japanese silver yen after its withdrawal from Singapore and its neighborhood is said to be the British dollar, which, it is reported, is being turned out in large numbers from the Indian Mint.

Report VI:—(Dated August 27th, 30th year of Meiji).

The premium on the Japanese yen at this port is advancing steadily, owing to the rise in the rate of exchange for Japan and to the purchase of the silver yen by the Hongkong and Shanghai Banking Corporation and others. There are already a large number of the Chinese who are trying to avail themselves of the present opportunity to make an unexpected profit, so that transactions in the Japanese silver yen have now come to present all the features of a speculation. Simultaneously with this state of things there has come to be a great demand for drafts on Japan at proportionately high rates, and it is reported that some Chinese have already adopted the policy of issuing bills payable within fixed period, of selling them to banks then buying the silver yen with the proceeds thereof, and shipping the silver thus secured in order to pay for the bills, thereby netting some percentage from the transaction. Then again, there is an actual instance of the Hongkong and Shanghai Banking Corporation, which, after making loans to the Chinese on the security of

silver yen, subsequently, all of a sudden, demanded the payment, and taking advantage of the difficulty thus brought upon the Chinese, tried to buy off their stock of silver yen at a reduced rate. This step had the immediate effect of provoking great indignation among the Chinese who went to the length of declaring that if they must part with these 1-yen pieces at the ordinary rate, then they would rather sell them to some other banks; and they actually did take their stock of silver yen to a certain other institution. Under these circumstances the latter took care that its taking a hand in the affair should not affect the condition of the market. Nevertheless since to take advantage of the circumstance was to secure the silver yen at a cheaper rate and with less trouble, it has lately begun, as a most opportune measure, to make small purchases. The amount thus secured now reaching about 300,000 yen, the said bank has to-day shipped a sum of 100,000 yen of Japanese coins to Kobe by "Izumi-maru." As for the Hongkong and Shanghai Banking Corporation, it has thus far been making only small shipments, but I hear that it has placed about 300,000 yen on board the "Ancona", which is to sail for Japan to-day.

Report VII:—(Transcribed from a Hongkong communication; dated 30th of September of the 30th year of Meiji).

Concerning the sources whence were obtained the silver yen, now being imported into Japan.

"What was the amount of the silver yen in circulation or hoarded in this port, about the time of my temporary return home on the 15th of June of this year"? Concerning this question, I have carried out investigations in various ways, and as the result of these investigations I placed the estimate of the amount held by the Hongkong and Shanghai Banking Corporation at 300,000 yen in the new coins and 250,000 yen in current money; of the amount held by the Chartered Bank at 150,000 to 200,000 yen in the new coins; while of the amount held by the community here altogether at 150,000 yen or less. If it is asked how I came to make these estimates, I would say that I made my estimate on the basis of information obtained from the managers of one or two banks, from the reports of several brokers, and from the compradors of certain European banks and indirectly through certain Chinese banks; and I came to the conclusion that there could not be at this port more than 850,000 of the silver yen as stated above. In consequence when I was at home, in making report to the Minister of Finance, the Vice-Minister of Finance and the Chief of Finance Bureau, I quoted these figures (about which time Consul Shimidzu de-patched a te'egram fixing the actual amount in Hongkong at 200,000 yen). At that time I added that the actual amount of the silver yen in Hongkong was small, but that I believed that should there be any fall in the price of silver and also a fall in the exchange rate, no small amount would be sent to Japan from various points by way of this port. Furthermore I also stated that from what I could gather there must be held in the regions of Fukien,—Foochow, Amoy and Tsuen-chau,—at least two millions of the silver yen, adding that, though not directly in my sphere there were opinions to the effect that there must be from six to eight million yen at the ports of Singapore, Penang, etc., three million yen more in Bangkok; and that thirty or forty million must at least be lying about throughout the interior of Malay Peninsula.

Now that owing to the recent fall in the price of silver the amount of silver yen sent to Japan via Hongkong has not been at all small, I instituted investigations in various ways to ascertain the sources whence they came. The result in substance is as follows:—

Total amount shipped to Japan within 90 days commencing on July 1st, and ending on September 30th, per steamships of the P. & O. S. S. Co., M. M. Co., P. M. S. S. Co., O. & O. S. S. Co., Nord Deutscher Lloyd Co., C. P. R. Co., and N. Y. K. (Japan steamship Co.)

Besides the above, the amount shipped from Singapore and vicinity and transhipped at Hongkong 898,000

The foregoing figures, being based on the reports of the steamship companies, may be taken to be fairly accurate.

On investigating further whether the said 3,890,200 yen of silver and paper had been hoarded in this port or not, my first findings were as follows:—

Various silver coins brought to this port from regions of the Straits Settlements, during the eighty days extending from July 1st to September 20th, by the steamers of P. & O. Co., and M. M. Co. amounted to:—

	English dollars		213,475
Day D & O S S	Mexican dollars		1,052,300
Co.	Mexican dollars Silver Bullion	٠	75,000 (dollars)
00.	Silver 1-yen		485,133
	Transshipped to Japan	4	898,000
Pay M. M. Ca.	Silver 1-yen		239,000
1 ci m. m. oo.)	(Silver 1-yen		28,000

Various silver coins brought to Hongkong from San Francisco by steamers which sailed from the latter place between July 1st and September 2nd amounted to:—

Per P. M. S. S.	Mexican dollars .	 131,917	For the Chinese mer-
Co.	Mexican dollars .	 394,750	For the Chartered Bank of India,
Per P. & O. S. S. Co.	Mexican dollars .	 1,601,000	For the Hongkong and Shanghai Bank- ing Corporation.
	Silver Bullion (val		

According to some Chinese bankers, the importation here of the silver yen from the Straits Settlements and the regions about Amoy, since the month of July to the 20th of September was as follows:—

Names of Chinese merchant at Singapore and Penang	9							Amounts imported
Hong-chi-chan								. 500,000
Chu-yu-lan .								200,000
Tong-chan								200,000
Heng-chi								200,000
Chüch-ho								150,000
Ho-hsing								250,000
Kwang-chag-tai.								. 100,000
Foo-chin-yu								200,000
Gui-chi-chan .								200,000
Yu-tê-chan								. 200,000
Ho-chang								. 200,000
Cong-shing								
** 14 14								. 50,000
Chu-foo-lan								. 50,000
Yüan-pa								. 250,000
Yüan-chan-li .								. 100,000
In-vüan-hsing								. 500,000
. 0								(50,000 yen ?)
Chinese merchants in Amoy and Tamsui								
Fong-chi								. 100,000
Chia-yüan								100,000
Chen-yüan								
Pan-fong-chan								±0.000
Total			•	٠	٠	٠	٠	
						-		

It should be noted that there is no way of ascertaining whether or not the above amount of importation by these Chinese merchants is included in the amount of the imported silver *yen* per vessels of the P. and O. and M. M. companies previously mentioned. At any rate, since

the amount imported according to the report of the above mentioned steamship companies is only seven hundred thousand yen, it may be presumed that the total amount of the importation by the Chinese as here given has not much to do with the other amount. At least it may be stated that the part of the latter amount that was sent in to the Mercantile Bank of India is certainly outside of these amounts imported by the Chinese.

Next, as to the disposal here of the silver *yen* imported by the Chinese, the result of the investigation is as follows:—

Sold to the Hongkong and Shanghai Banking	yen
Corporation (about)	1,500,000
Sôld to the Chartered Bank of India, Australia	
and China * (do.)	700,000
Sold to the Yokohama Specie Bank (do.)	435,000
Shipped directly to Japan by the Chinese . (do.)	550,000
Amount still in the possession of the Chinese	
about the 20th of September (do.)	165,000

It should also be noted that every year, about the end of the autumn, the Mexican dollar rises in price and the demand for its importation increases. This is owing chiefly to the fact that in the province of Canton there is at this time of the year a strong call for capital for the purchase of raw silk. This year, however, the situation may be said to present a somewhat unusual phenomenon. For in an ordinary year there is as a rule no such thing as charging a premium on the chopped dollar; but this year about 2 dollars are charged per 1,000 dollars even where the coins are more or less chopped. Such being the state of things, the Chinese bankers are vying with each other in drawing out specie from the Hongkong and Shanghai Banking Corporation and the Chartered Bank and forwarding it to Canton with great activity. In consequence the amount of the new Mexican dollar, drawn out of the Conversion Reserve of the Hongkong and Shanghai Banking Corporation during the last five or six weeks is thought to be over two million dollars. As for the Chartered Bank, it is generally suffering from the lack of capital and has no reserve means at this emergency to carry out any big scheme in connection with the exchange of our silver yen for gold. Even the Hongkong and Shanghai Banking Corporation was obliged to pay out, on demand by the Chinese, nearly all of its new Mexican dollars of several year's hoarding, while the expected supply of British dollars has not arrived yet. And although the bank is constantly importing more or less of Mexican dollars, yet it is at the same time compelled to pay out in exchange no small part of them. Hence it does not seem that the Bank would be able to take out all the silver *yen* in its vault and send them over to Japan; in fact the amount of its reserve to-day does not seem to be very large.

It may be asked whether the silver yen imported by the Chinese from the direction of the Straits Settlements came from Singapore or from Penang. Whichever be the place from whence it was shipped, this much is certain that these silver yen are those that were found scattered throughout the interior of the Malay Peninsula and which were hunted out and gathered in by shrewd and alert Chinese by paying the premium of 2 or 3 yen per 100 yen at first and of 12 or 13 yen later on, and shipped and forwarded by them to this port. It is said that there were some among them who realized large profits out of this smart move, while some others lost considerably. Indeed it is even now reported that a certain friend of a comprador of one of the banks here is waiting for the premium to go up to 12 1/2 yen. While it is impossible to say whether or not this sort of transactions will last long,—the thing being dependent on the future condition of the rate of exchange; on the other hand, it seems probable that, owing to the coining of the British dollar, the banks of the Straits Settlements will come to have some means in reserve so that it will become possible for them to export their silver yen to Japan. Again, should there arise facilities for drawing bills of exchange on places in the Straits Settlements and neighborhood, most probably the importation of the silver yen from those regions will begin to take place. Be that as it may, against the estimate that puts the amount of the silver yen lying about in Singapore and Penang at from six million to eight million yen but not more, it is to be noted that the amount in hiding in the whole of Malay peninsula especially in the possession of Chinese emigrants at various mines can not surely be inconsiderable, and it seems that the matter which invites the careful consideration of our Government at this juncture would be the question whether the period allowed for the exchange of 1-yen silver coins ought not to be shortened. It does seem indeed to be rather unbecoming to prohibit the circulation of the silver yen which had once been issued as our currency. But the Government may, after January following, leave to the silver yen simply the right of being paid for taxes, and cease exchanging it for gold coin. Again the coinage policy of Formosa being not yet decided upon, the question whether or not there will be any of our paper money and silver yen finding their way from thence into this region can not be answered. The question entirely depends upon the kind of financial policy to be adopted concerning that island. Under these circumstances, it will be a most desirable thing to have responsible officials despatched

to that island to make a personal survey of the financial situation on the spot.

P.S. Further report will be sent if any important information be obtained either through others or through personal investigation.

Report VIII:—(The report of the Consul at Hongkong; dated September 3rd, 30th year of Meiji).

The total amount of the silver yen shipped from this port for Japan during last month was about 610,500 yen. The different amounts constituting this total may be seen from the following table; and the shippers of these were nearly all banks. It may be noted that the following items and figures are those obtained from steamship companies, at the time their ships sailed:—

Dates		Destination	Names of Vessels	Amounts	Remarks
August	13	Yakohama	"Empress of China"	yen 11,000	
21	7.7	do.	do.	94,000	
11	16	Japan	"Verona"	15,000	Steamship company's report simply says "specie," but probably silver yen is meant.
97	27	do.	do.	68,000	The report says, 17 "chests"; since a chest usually contains, 4,000 yen, this figure has been made out.
19	25	Kobe	"Sanukimarn"	8,000	
17	28	Yokohama	"Izumimaru"	100,000	
19	,,	do.	"Hohenzollen"	200,000	
77	31	do.	"Yaller"	57,300	Steamship companys' report simply says "specie," but probably silver yen is meant.
29	22	Kobe	do.	57,300	do.
		Total		* 610,500	

Besides the above mentioned, the "Empress of India" and "Izumi-maru," both of which sailed day before yesterday (i. e. the 1st Inst.) took on board 416,000 yen and 55,500 yen respectively; and the "Doric" which left here yesterday took with her 324,750 yen. It is expected that there will be continued shipments after this.

As may be seen from my Report No. LIV, dated June 1st of the current year, I believed then that the amount of unchopped silver yen on hand at this port toward the end of May and the beginning of June would not exceed say 200,000 yen. But since then, during the month of July last, the premium on the silver yen having much increased, the Chinese

^{*}There seems to be a mistake somewhere, for this sum total 610,500 is 100 yen less than the summing up of the figures on the Table. We give the Figures, however, just as they came from the Consul's hand.

merchants and some others have begun to buy that coin in the neighbouring regions and sell it to the local banks here, thereby securing much profit; not a few others are, however, reported to have lost money by making speculative buying. In addition a number of shipments having arrived from the Straits Settlements, the silver yen has continued to pour into this city, so that as a consequence since August till to-day (September 3rd) a sum of over 1,400,000 yen has been shipped to Japan; the present tendency being that the shipments to Japan will be kept up for some time to come. The amount on hand in the city at present is said to be over 1,070,000 yen in the Hongkong and Shanghai Banking Corporation, and several tens of thousands of yen in other banks.

What amount of the silver yen will be the sent back from foreign countries?

While conversing to-day with Mr. D. F. Jackson, general manager of the Hongkong and Shanghai Banking Corporation, on my questioning him as to his judgment concerning the total amount of the silver yen which will probably be sent back to Japan from this port, Singapore and other oriental ports, he replied that judged from the condition of things respecting the actual movements of the silver yen till now, that the amount would be unexpectedly small, ranging between five and six million yen at the least and not more than ten millions at the most. He further expressed the opinion that the amount already shipped from this port was somewhere between one million four hundred thousand yen and one million five hundred thousand yen, and that the amounts possessed by his bank, which is considered to be the largest bank in the Orient, did not exceed much over one million and seventy thousand yen at the head quarters here and over nine hundred thousand yen at the Singapore and Penang branches; that, further, it was not likely that the amount coming forth from other sources would exceed five or six million ven. Mr. Jackson said, moreover, that the amount that had been exported from Japan was probably very large, but that it was to be remembered that a large portion of the coins which found their way into India, the Straits Settlements and the neighbouring regions have been either melted down to be manufactured into neck-chains, bracelets, foot-rings and other ornaments, or chopped and demonetized by the Chinese; and that for these reasons the number of clean yen pieces would perhaps not reach one tenth of the total amount exported. Mr. Jackson is a man deeply experienced in the financial affairs of the Orient, with a reputation for far-sightedness, so that his views are, I believe, worthy of careful consideration.

Report IX:—(Consular report; dated Hongkong October 4th, 30th year of Meiji).

In response to your inquiry concerning the direction from whence came our silver *yen*, which are now being imported into Japan from Hongkong, I beg to state:—

The silver *yen* which has been shipped to Japan since August till now amounted to over 3,599,000 and paper money to over 197,000 *yen*. All these I believe came from regions of the Straits Settlements and the province of Fukien in Chinå.

Reports on the condition of circulation of the silver yen in Siam:—
Report I:—(Report by the Foreign Department; dated November 9th, 30th year of Meiji).

The total amount of Japanese silver coins bought by the Siamese Mint Bureau in order to be recast into Siamese silver coins from April 1st, 28th year of *Meiji* (1895), up to March 31st, 29th year of *Meiji* (1896), was 1,837,500 yen.

Report II:—(Report by the Foreign Department; dated January 14th, 31st year of Meiji).

Regarding the amount of Japanese silver coins bought by the Siamese Mint Bureau to be recast into silver coins of that country, a report by Mr. Inagaki, chargé d'affaires at Siam, has already been forwarded per Report No. 430 of November 9th, last year. A message has since been received per last mail from Mr. Inagaki to the following effect, as giving the views of the principal bankers in that country. In that message Mr. Inagaki says that the Japanese silver currency still kept in the Siamese Treasury amounts to 600,000 yen; that the Hongkong and Shanghai Banking Corporation and the Chartered Bank having branches in that country had competed with each other in trying to borrow these coins; but that it is understood that the Siamese Government has steadily refused to accede to their requests and that these 600,000 yen have been probably all stamped for the purpose of examination. At any rate the present tendency being a steady rise in the price of silver and there being not much profit in sending the silver coins to Japan to be exchanged, it is believed that not any will be sent back from Siam to Japan.

Report on the condition of circulation of the silver yen in Singapore.

Report I:—(Consular report; dated Singapore March 3rd, 30th year of Meiji).

In reply to your telegram, dated January 20th, making inquiry concerning the amount of Japanese silver currency in circulation in this

port, I wired back at the time that seven to eight million yen were in circulation, (understanding the expression "in your port" of your telegram to mean this port alone). But on receiving Japanese newspapers since then, I found that the Government was about to adopt the gold standard, and on a second thought in this connection, I have come to the conclusion that the information you wanted to obtain by your telegram had reference to the contemplated coinage reform. If so, I must further say that the amount in circulation in Singapore alone will not give you a correct idea; because I believe there are altogether from 16,000,000 to 20,000,000 yen in circulation throughout Singapore, Penang, Malacca, and throughout Malay peninsula. If those in Siam, Annam, Burmah, Sumatra, Borneo, Tonquin, etc., the places not far off from this port, are to be added to the above amount, the total would reach forty or fifty million yen. Should our Government all at once issue 1-yen gold coins and accept silver yen in exchange for them, there would be a profit of 4 or 5 per cent. per one silver yen. If such should be the ease, the forty or fifty million yen in this neighborhood would all at once come flooding back to Japan, causing an extraordinary loss to the Government. For this reason if the Government is really going to carry out the coinage reform as reported in the news papers, it will do well, it seems to me, to take into consideration the points above mentioned; for this reason, I hereby take the liberty of sending the present report.

In connection with the above report the Government despatched a telegram inquiring whether the silver yen circulating in Singapore and Siam and their neighborhood, were all perfect pieces; that is, whether there were not some chopped ones in circulation; and if so, what were their respective amounts. Then a telegram in reply was received saying: "No chopped or stamped silver yen in circulation in this place—all perfect." The word "this place" appearing as if meaning Singapore alone and in that case, the amount outside that port being not clear, a further message was wired, and the reply was; "This place" means Singapore and places in its neighborhood.

Report II:—(Report; dated April 2nd, 30th year of Meiji).

According to the researches conducted here, it appears that the trade dollars, after being exported, ultimately reached Calcutta and that there they were recoined into silver *rupee*.

Eighty or ninety per cent. of the silver yen, exported to the Straits Settlements eventually reach Deli, in Sumatra, and there they get into the possession of the natives and of a large number of the Chinese employed on the tobacco plantations.

The silver yen is not destroyed while in the Straits Settlements; but is continually being taken back to China by the returning Chinese labourers and it probably all gets melted down or defaced. It has been noticed that, as a general rule, only a small percentage of silver yen pieces in Singapore ever returns to the hands of the bankers there. Hence, of the total 111 millions of the silver yen exported from Japan, those that return home will not, even under the most favourable circumstances, exceed ten per cent. of that amount.

Report III:—(Cousular report; dated Singapore April 24th, 30th year of Meiji).

In my former report, I told you that the currency in circulation in this port consisted almost altogether of Japanese silver yen; that the Mexican and British dollars did not come up to more than 4 or 5 per cent.; that in consequence our silver yen in circulation at this port alone were estimated at about eight million yen, which with those scattered about in the neighbouring localities would bring up the total to somewhere between forty and fifty million yen. Now that the Japanese Government has decided to adopt the gold standard, considerable restlessness has come to pervade the money market here. Especially the more shrewd among the bankers are even declaring that the greatest money making scheme in the world just now would be to corner the Japanese silver yen. So that there has suddenly grown up in the public at large a tendency to store away that coin. In the meantime the exchange rate has been steadily declining and the sight draft on London was quoted at the end of this week at 24 3/16 shillings. Indeed according to the present rate, a profit of about 5 sen can be made by getting one yen silver changed for one yen gold, and the depreciation of silver is vet going on without any abatement. Under these circumstances, it being apparently a profitable transaction to buy and hoard silver yen coins in order to have them exchanged after October for gold, there will sooner or later come a day for the Japanese silver yen to disappear altogether from the market. Again in observing the specie handled by the Hongkong and Shanghai Banking Corporation, the Chartered Bank, etc., at this port, we see that, while the specie they handled formerly consisted almost entirely of the Japanese silver yen, the Mexican and British dollars forming but a very small part, it has recently come to be the case that the British dollar forms the largest portion of the currency thus handled and that the Japanese yen forms but a small part. Judging from this fact, it seems that the time will not be very far off when the Japanese yen will disappear altogether from the market here. Owing to the fact that the British dollar was not elegant in design as compared

with the Japanese yen, as well as to the fact that the latter has been circulated for many years with perfect credit, the British dollar was formerly received with little favour in the market, so that it was simply stored as the conversion reserve of the banks. Its recent reappearance in the market therefore must have a cause. It is impossible to decide for certain whether the powerful cause is none else than the desire to make profit by exchanging the silver yen for gold coin. Should however such a desire be that cause, so that the phenomenon we are speaking of was brought about by speculators, it seems that our Government should be very careful and circumspect in the policy it adopts at this moment. Be that as it may, it is an extraordinary phenomenon we are witnessing now.

Report IV:—(Report by Consul Fujita; dated Singapore May 2nd, 30th year of Meiji).

By the Council Ordinance No. IV, 1867, it was enacted for this Straits Settlements that, from the 1st day of April of the same year, the trade dollar issued by the Hongkong Mint, the Spanish, Mexican, Peruvian and Bolivian silver dollars and all other silver dollars to be hereafter named by the Governor of the Straits Settlements with the consent of the Legislature, should be considered legal tender. Again it was announced through the Official Gazette of the 17th of January, 1874, that the American trade dollar and the Japanese silver yen should be thenceforward recognized as legal tender. Since then, however, through the natural process of the "survival of the fittest," the market has become by the year 1894 the exclusive field for our silver yen and the Mexican dollar, the rest having been entirely driven out, leaving behind only their names as legal tender. In the meantime the commercial development of the Straits Settlements and its neighbouring places has been taking place with extraordinary rapidity, and the scarcity of currency has come to be felt with increasing intensity. On the other hand, in Mexico, as the result of that countrys' exports exceeding the imports, the specie showed a tendency to remain at home, while the heavy mintage duty which was suddenly decided to be put in force,-the rate amounting to 2 1/2 per cent. on all the silver coins and bullion exported greatly strengthened the tendency of the coins to remain at home. On the other hand the Japanese Mint could not be called in for assistance; for if it was desired to have the coins minted in Japan, it would take two or three months to get two or three million yen coined. All these circumstances tended to make the situation a difficult one for bankers; but fortunately there being still in preservation a set of minting machines at Bombay, though free coinage had been stopped in India, it was resolved to send in a request there for the coining of British dollars. And as the

result of a concerted action among the Commercial Bank of India, the Netherland Trading Company, the Chartered Bank of India, Australia and China, and the Hongkong and Shanghai Banking Corporation, the Indian Mint began again to set its machinery in motion with the year 1895 to coin British dollars for these various bank, charging a commission of one per cent. Since then it has become a regular thing for these banks to get the British dollar coined and thus meet the demand of the market whenever there is a scarcity of currency in the market. None the less, however, the Japanese yen from its superior design, as well as on account of there being but few counterfeits of that coin, has continued to grow in credit and popularity and to enlarge the area of its circulation, so that it occupies not only the foremost place among the currencies in circulation in the Straits Settlements but is making a triumphant entry into the neighbouring countries such as Malay archipelago, Siam, Annam, Burmah, Borneo, Sumatra, etc., being welcomed everywhere. At the time of our war with China, it was arranged to settle the remittances Japan had to make to Europe in payment for arms, ammunitions and vessels, against European drafts forwarded to Singapore in payment of commodities, so that great facilities were opened for our silver yen to enter this place. Besides, there was still another cause to encourage this tendency i. e. the fact that all the banks here took the silver yen in preference to others, whenever there was an importation of silver coins. Furthermore, about this time, in the Far-Eastern ports our silver yen did not change at par for the Mexican dollar, but there was a disparity of a few sen in favour of the latter, so that it was profitable to gather in Mexican dollars in Singapore and change them for silver yen in those other ports, a process which naturally drove the Mexican out of this port, inviting the silver yen in its place. From these various causes an enormous amount of 1-yen coins came to be accumulated in this port. According to a report of the harbour master of this place, the amount of silver directly imported here was 3,034,000 yen in 1893 (26th year of Meiji) 24,033,000 yen in 1894 (27th year of Meiji), 16,214,000 in 1895 (28th year of Meiji) and 11,113,000 yen up to the last day of September in 1896 (29th year of Meiji), altogether making the total of 54,394,000 yen. On the other hand there was shipped from this port to Japan during the same period (i. e. from the beginning of 1893 to September 1896), 2,741,250 yen, which, however, is said to have all consisted of the Mexican dollar while the imported amount above referred to was all in silver yen. Thus the amount of the imported silver yen has not become in any way reduced but there remains to-day in circulation in this region the sum of over fifty four million yen. Besides this, there must be more or less of the silver yen which entered the neighbouring regions either

directly from Japan or through Hongkong without passing through here: while no inconsiderable amount may also have entered this port, mixed up with silver currencies imported from Hongkong. We must, moreover, add to these, the amount imported previous to 1893. When we add up all these various items, we shall have as the rough estimate of the entire amount of the silver yen in these regions, the sum of sixty million yen. It is, however, reported that in Siam the silver yen and the Mexican dollar are melted down in order to have them recoined into Tical, the standard money of that country (5 tical are equivalent to 3 Mexican dollars); while in the interior of China neither the silver yen nor the Mexican dollar passing as legal tender, these are said to be also melted down and turned into bullion. It is certain that a considerable quantity of our silver yen has in the above way been disposed of; and it is a general belief that the amount of the silver yen hoarded or in circulation in this port and its neighbouring regions, may be put down at forty to fifty million yen. There having thus been an active demand for, and a good supply of, the Japanese silver yen, the Mexican dollar has gradually been driven out of the market, while the British dollar got settled into the bottom of the bank vaults. Our silver yen, therefore, came to monopolize the money market of Singapore, so that if any one hundred dollars at a local retail shop were to be examined, the sum would be found to consist of 90 dollars in silver yen and the remaining 10 dollars in the Mexican or British dollars. However, since the report reached here that the gold standard bill had passed the Japanese House of Peers, the silver yen began to disappear, the British dollar taking its place, and to-day all payments at banks are made in the British dollar, and not a silver yen piece is to be met with. The details in these respects have already been forwarded by Official Report No. 24, under the date of April 24th, and are omitted here.

1.—The yen silver is being used in large and small transactions in the daily life of the people of these settlements and their neighbouring countries. But the area of its circulation varies according to localities as they are under different jurisdiction. The silver yen being recognized in these settlements as legal tender, as already stated, it passes without any difficulty whatever in the payment of duties and taxes, and in general transactions among the people at large. But in countries under French and Dutch dominions, the silver yen cannot be used in paying taxes and duties and making other kinds of public payment, it being not recognized as legal tender, although it circulates freely among the general masses of people and is used in all kinds of transactions. These settlements and their neighbouring countries all have convertible bank notes in circulation, and it is but natural that these should be used in large deals, but

the silver yen is also employed without any trouble whatever in such large transactions.

The stamped silver yen is almost totally absent from these regions, only a few of them being occasionally met with in times when there take place large transactions. When they are found, it is a general custom to take them to a money broker and have them discounted according to the weight of silver in them, thus treating them as bullion. Such being the case, the stamped one yen piece does not pass at all in ordinary business transactions. But the unimpaired silver yen is freely used for all kinds of transactions large and small, without distinction of locality or region. In this region and its neighbouring countries, too, the circulation of the silver yen is very extensive, although with it are used also the Mexican and the British dollar. But the proportion of the latter is very small compared with the former, there being over ninety 1-yen pieces in a given hundred of silver coins and only the remainder in the Mexican or British dollar. However, in regard to the neighbouring countries, Siam has the Tical as its standard money and the Dutch possessions their gildar; so that though the silver yen passes in these countries without any difficulty, its amount is very small as compared with that in these settlements.

In Sumatra, the silver yen passes in the same way as the standard money of that country for public and private purposes, at a fixed ratio between it and the gildar. In Java, it is being treated like bullion according to rates which are constantly changing. In Siam, it passes at the rate of 3 yen for five tical.

As to the amount of the silver *yen* privately hoarded, it is impossible to get any accurate information. There was hitherto no reason for banks to put away that coin alone, nor has there been noticed any tendency in that direction; but since the gold standard bill was passed by the two Houses of the Imperial Diet, the silver *yen* has suddenly disappeared from the market. This vanishing is only explainable on the supposition that it was done with an object in view, i. e. in anticipation of events after the month of October of this year.

Until a week or so ago, there was no premium on the silver yen in exchanging it for the Mexican or British dollar, but now unless 1 sen 7 rin 5 mo (1 $^3/_4$ sen) is added to a dollar, e. g. British dollar, the latter can not be exchanged for a silver yen, and there has arisen a strong tendency to hoard up the silver yen. Still there being several months yet between now and the day when the exchange of the silver yen for gold coins will begin to take place, if some shrewd steps be taken now the silver yen may be absorbed without paying large premiums.

It will be indeed no difficult matter to withdraw the one *yen* silver all at once from this region. It is being now actually withdrawn and

the British dollar taking its place, and no inconvenience is being felt in the market from its absence. Judging from this circumstance, the entire disappearance of the silver *yen* from the market, several months hence, will cause no inconvenience at all to business transactions.

2.—The reply to the second question being nearly covered by what has been stated in reply to the first question, a reference will now be made as to the question whether or not the banks here will issue notes with the silver yen as their conversion reserve. As was stated in this month's report of this consulate to the Minister of Finance, the Chartered Bank of India, Australia and China possesses the privilege of issuing convertible notes to the extent of 3,500,000 dollars and holds as reserve. in its Singapore Branch Office, besides the Japanese and Chinese public bonds in amount about 500,000 dollars worth at the pre-ent market price, silver coins and bullion to the amount of 663,000 dollars. The Hongkong and Shanghai Banking Corporation possesses legal tender coins, as its conversion reserve, in amount equivalent to at least one third of the amount of its notes issued; and on the security of this reserve, it has the right of issuing under unlimited liability convertible notes up to the amount of its paid up capital. This bank's capital being distributed among its numerous branches, it is practically impossible to ascertain the amount of notes in circulation under each branch; still judging from the fact that its Singapore branch keeps 900,000 yen, and its Penang branch 500,000 yen as conversion reserves, the amount of this bank's convertible notes issued in the Straits Settlements would appear to be no more than 4,200,000 yen. Thus the total amount of bank notes issued in the Settlements is something like 7,700,000 yen and the amount of bullion and silver coins kept in reserve 2,063,000 yen. This reserve has formerly consisted of British dollars, but now it is said that they are being replaced by Japanese silver yen. This is indeed but the natural thing to expect.

3.—Since bankers, money brokers and usurers are now actively engaged in absorbing and hoarding up the silver yen, that coin has now almost disappeared from the market here. Hence the amount thus hoarded up must be quite considerable, but it is not easy to find out the exact amount, as the matter forms the business secret of the individual parties concerned. But it seems that at most the amount in circulation in Singapore alone is something like eight or nine million yen. (This is of course purely conjectual but the estimate coincides with the opinion of the most reliable persons). Add to this the amount in circulation in Penang, Malacca, and Malay Protectorate States; the total will come up to from fifteen or sixteen million yen to twenty million yen. In some of the neighbouring countries, the silver yen has been passing at the rate of one yen and one or two sen, e. g. at Deli, in the island of Sumatra.

Supposing it passes at par with the British dollar in Siam, Burmah, Java, Borneo, etc., so long as the market rate in Singapore remains 1.01³/₄ dollar per one yen, the difference is not sufficiently large to leave any margin after deducting the expenses of transportation, insurance, etc., and there is no likelihood of the merchants of this port importing the silver yen from those countries. It follows then that the amount hoarded in this port will not exceed the above mentioned figures. Besides, seeing that the silver yen is at a premium in Singapore, which controls the trade situation of its surrounding countries, there will arise the hoarding tendency among the merchants of these countries; so that it seems probable that 1-yen silver coins in these parts will largely remain where they are, without greatly changing places.

4.—At a time like the present, when silver is daily going down in price, it will be no easy matter to reclaim our silver yen. In view of the state of things during the past few days, it is almost impossible to tell how far the price will go down. Our silver yen is however going up in price on account of its being redeemable in gold, while silver coins in general are depreciating. Under these circumstances, bankers will not readily part with our silver yen when once they get hold of it, unless at a large premium, as there is a prospect of realizing a good profit in the future by holding it. Under these circumstances, it will not be an easy thing to reclaim the silver yen all at once. Yet the situation is not altogether without hope; for there being yet several months before the exchange of silver yen for gold will begin to take place, there may occur in the meantime some changes in the money market, which would make it possible to buy 1-yen coins. If a part of the Indemnity money to be sent home were converted into drafts payable in silver at Singapore, the silver currency so received may be used in purchasing the silver yen; and the yen pieces thus secured may be transported home on board our new war vessels or some steamers which are being brought home from England. That will be one way of economizing expenses to a large extent. Should such a course be adopted, I think it will be far more convenient to open here a branch office of some Japanese bank to transact the business connected with this plan rather than entrust it to the Chartered Bank of India, Australia and China, or to the Hongkong and Shanghai Banking Corporation. A report has reached me that the Specie Bank is contemplating the establishment of a branch office here. If this will prove true and the branch be established soon, so that it may be entrusted with the matter above mentioned, the arrangement will prove equally advantageous both to the Government and to the Specie Bank.

The above is one method of effecting the exchange before next October, by giving English gold in exchange for our silver yen. Since

however, it is impossible to foretell what changes may yet occur in the money market in the mean time, it may prove in the end more advantageous and attended with less trouble to amply provide gold coins and make the exchange at home. Since our silver yen can be exchanged for gold yen, it has all the characteristics of gold currency. Hence it will not be affected by the fall in silver and the consequent depreciation of the Mexican or the British dollar, and the question as to the time in which it is exchanged may not be after all of much importance to the transaction. If so, it may prove to be in the end a wiser policy to wait till the promised time arrives i. e. next October, and then to effect the exchange of the silver yen for the Japanese gold coins.

Supposing the silver yen is to be reclaimed, the present situation will make it necessary to pay a large sum of money for premium, if an attempt is now made to effect the matter all at once or in a short space of time, since the premium of 13/4 sen is now charged on one silver yen. Again it will be no easy matter to reclaim the currency which is lying scattered all over these neighbouring countries as already stated. Further, though it is very difficult to conjecture as to the amount that may be reclaimed before October, in case the work is begun at once, yet it ought to be regarded as successfully done if the amount thus reclaimed reaches thirty million yen. Then there will be various items of expenses to consider, which, belonging to trade secrets, will not admit of any accurate estimate beforehand. But supposing the average premium to be 4 sen per one yen, it will amount to 1,200,000 yen for 30,000,000 yen; and add to this, the salaries to be paid to officials, their traveling expenses, as well as the expenses of packing, transportation, insurance, etc., etc., the whole expenditure will come up to over one million and two hundred thousand yen. Or to give the latter items in detail, the packing expence will be 20 sen per 1,000 yen, the expense of lading 1.5 per 1,000, the freight from Singapore to Yokohama 183/4 sen per 100 yen, (183/4 sen per 100 yen is the rate allowed to banks, but 50 sen is charged for others; in our estimate we give the usual bank rate) and the insurance expenses 30 sen per 100 yen.

- 5.—I have not yet heard of our silver *yen* being melted down for manufacturing purposes, but I believe that this is being done to more or less extent. The amount which is being recoined in Siam into that country's national currency may also be quite considerable, but it is not possible to ascertain the amount.
- 6.—Since the receipt of the report that the both Houses of the Imperial Diet had adopted the coinage reform measure, the silver *yen* has come to be regarded with increasing respect among the people of the Straits

Settlements, in transactions both public and private, and since May last, with the depreciation of silver on the one hand, there arose an intense demand for the Japanese silver coin; for this reason that coin is daily disappearing from the market to be hoarded up.

Report V:—(By Consul Fujita; dated Singapore, June 28th, 30th year of Meiji). Secret Report No. 12.

1.—The reason why the British dollar has made a sudden appearance in the market is owing to the fact that the bankers have gathered in silver yen coins with the object of having them exchanged for gold coins later on, and are keeping them in their safes instead of British dollars, as conversion reserve for their notes. In this respect I present herewith for reference a table giving the amount of British dollars coined at the Bombay Mint. The figures show the amounts that have been imported into Hongkong and this port since the Mint commenced coining last June, in accordance with the contract, as already stated, entered into with the Commercial Bank of India, the Hongkong and Shanghai Banking Corporation, the Chartered Bank of India, Australia and China, and the Netherland Trading Company, to have the silver dollar coined to the extent of five million dollars or more a year.

	1895.	1896.	1897.
January	0	0	93,983
February	0	0	1,038,500
March	0	0	2,132,535
April	0	365,342	0
May	0	491,085	0
June	560,948	758,780	0
July	0	958,878	0
August	0	0	0
September	0	0	0
October	834,181	0	0
November	1,123,442	271,755	0
December	674,922	185,780	0
Total	3,193,493	2,958,620	3,265,018

The amount of the British dollar imported into Singapore during the year, 1895, was two million and five hundred thousand dollars, and three million two hundred and forty or fifty thousand dollars in 1896; but it is reported that a greater portion of these amounts have since been exported to Bangkok and there recoined into *Tical*.

2.—The parties who are trying to absorb the silver yen that are lying about in Singapore and its neighbourhood, are principally the bankers and the Chinese and Indian money brokers, but besides these a number of commercial firms as well as individual business men are also making attempts to hoard away our silver yen; they do so in the hope of realizing a profit by exchanging them for gold. This has had the effect of making the silver yen suddenly and totally disappear from the market for a while, but latterly the supply of the British and Mexican dollar becoming insufficient to meet the business needs, the silver yen has reluctantly begun to make its appearance again, mixed up with other silver coins; but when once it enters a bank safe, it does not easily come out again.

On referring to the customs returns I find no trace of the bankers buying and collecting the silver yen at premium from outlying localities and importing it here. The fact seems to be that they are only trying not to part with that which is already in their possession. The principal importations of silver currency up to date this month (June 28th) were 50,000 yen (in the silver yen) from Kobe and 239,028 dollars from Bombay, while exportations were 100,000 dollars (in the Mexican dollars) to Shanghai, 125,000 yen (in the silver yen) to Penang, 100,000 dollars (in the Mexican dollar) to Bangkok, and 100,000 dollars (in the British dollar) to Selangor in Malay peninsula.

I have already given, in the confidential report dated May 2nd of this year, my estimate concerning the expenses of shipping home the silver ven from Singapore to Japan, as well as that concerning the loss and profit incidental to the exchange of the silver yen for gold, and I must beg to refer you to that report for details. Now, the time which will be lost on account of transportation from this port to Japan is 15 or 16 days. Supposing the gold currency obtained in exchange is to be shipped to London and there changed for Mexican dollars to be brought round to this port, there will be an additional expense in the form of daily interest for 40 days from Japan to London and 25 days from London to Singapore; total 65 days. On the contrary, if the gold currency obtained in Japan is to be sent to London by a telegraphic money order, and Mexican dollars bought with the same, the transaction will cost 45 day's interest. If however sight drafts are to be bought, the rate will be less, but a daily interest for 45 days will have to be calculated in the estimate.

Since I made a report concerning the rate of the premium on the silver yen, in the secret Report No. 10, money brokers have been charging $3^{-1}/_{2}$ to 4 sen per one yen. If we go and inquire at the banks, they tell us that they charge no premium on the silver yen at all. Yet if you demand specie in exchange for their convertible notes, they will give

either the British or the Mexican dollar and not the Japanese yen. Again I find, on making inquiries of the secretary of the Chamber of Commerce, that there is a premium of $3^{-1}/_{2}$ sen on one silver yen. The reason why there is such diversity of opinion seems to arise from the fact that the people are not actually handling our silver yen at all.

The circumstances being as stated, the bankers are not buying silver yen coins with funds that may yield daily interest, but are simply making them take the place of other coins in their reserves. Hence when, in October, they get these yen pieces exchanged for gold, the case will stand as in the Profit and Loss Account No. 1. (given below). If they buy telegraphic money orders on London, and with the gold received in exchange buy Mexican dollars there and have them forwarded to Singapore, the Profit and Loss Account in this case will be as shown in the Profit and Loss Account No. 2. (as given below). The cases, where the Mexican dollar is bought by sight draft or silver specie is forwarded, may be ascertained on the basis of the above cases. The exchange rate of gold followed in the estimates in the Tables is nearly hypothetical.

Table I. I. Profit.

In Mexican dollars		M -₹. ∷5.00
Profit realized by forwarding 1,000 yen to Japan, exchanging the for gold and then exchanging the latter again for the Mexican British dollar, (the rate of exchange supposed to be 1.035 dol Mexican for 1 dollar gold).	or	
II. Expenditure.		
Expense of packing 1,000 yen (in the silver yen)		.20
,, ,, lading the same \dots		1.50
Wagon, charge from a bank to the wharf		.40
One wagon being required either for 1 box (containing 1,000 year for ten boxes.		
Freight from Singapore to Kobe or Yokohama		.50
Banks have special arrangements with steamship companies and pay only 18 ³ / ₄ sen per 1,000 yen. (The expense of carrying from wharf to the bank in Japan being so small is omitted here).	hev	
Insurance charge per 1,000 yen (silver)		3,00
This is the common rate but where a large sum is to be sent; a be rate may be obtained by negotiating with insurance companies.		
Interest for 20 days at the rate 8% per annum on 1,000 g	en,	
while in transit from Singapore to Yokohama or Kobe		4.45
Ordinarily this trip is made in 14 or 15 days, but we will say the present case, that it takes 20 days.	, in	
Total		10.05

Now suppose the silver yen is kept in safes from this month of June until October; the interest for these four months will come up to \$26.67 dollars (at the rate of 8% per annum) which means a loss of \$1.72. If the interest is at the rate of 6%, the interest for four months will be \$20.00, leaving a profit of \$6.07. However that may be, the fact is that bankers are not trying to corner the silver yen as I have already stated, but simply placing what actually is in their possession into the conversion reserve or into the cash on hand, instead of other coins, with the intention of forwarding it to Japan for exchange after next October. Hence it may not be wide of the mark to estimate that they will be able to realize the profit above referred to, i. e., of from \$24.95 to \$26.07.

Where a bank possesses British or Mexican dollars in its conversion reserve or among its cash on hand, it may buy the silver yen with these even at the premium of $1^{1}/_{2}$ or 2 sen and yet realize a profit of from six to eleven dollars. Under these circumstances, it will be a losing transaction to make purchases with interest bearing capital.

TABLE II.

I. Profit.

Mexican dollars purchaseable in London for 1,000 yen in gold. 1,053.74

1,000 yen (in silver yen) sent to Japan from Singapore and 1,000 yen
(in gold) obtained in exchange; then a telegraph draft on London for
1,000 yen gold bought; at the exchange rate of 25 d. per one yen, the
above will amount to 25,000 pence or £ 104. 3 s. 4 d.; this amount of
English money will buy 913.242 ounces of Mexican dollars, at the rate
of 27 3/8 d. per ounce (480 grains); by dividing this amount of
Mexican dollars i. e. 913.242 ounces by 416 grains—the weight of one
Mexican dollar—the sum of \$1,053.74 is obtained.

II. Expenditure.

Expenses mentioned in Table No. 1	10.05
Expense for packing \$ 1,053.74 in London	.50
,, ,, lading, wharfage, etc	3.00
Freight from London to Singapore	10.00
Ten dollars per one box, containing 1,000 yen or less; 1 %, where it contains more than 1,000 yen.	
Insurance charge at the rate of $\frac{5}{1000} (\frac{1}{2} {}^{\circ}/_{0})$	5.00
Expense for carrying from the wharf at Singapore to a bank—one	
wagon being needed either for one box or for 10 boxes	.40

Interest during transportation	6.67
Total	$\stackrel{-}{35.62}$
Net profit	

3.—The Japanese gold coins obtained in exchange for the silver yens is as stated in the preceding paragraph, i. e. heading 2, to be used for buying drafts on London. If, however, it is unprofitable to do so, the gold may be transported to London, and Mexican dollars which circulate freely in Singapore and its neighbourhood may be purchased and forwarded. If the Mexican dollar is not obtainable in sufficient amount or to do so is unprofitable, then silver bullion may be bought in London or Japan, and forwarded to Bombay to be coined into British dollars by paying the commission of 1 per cent., and these may be imported to Singapore. There being these various methods to choose from to suit the circumstances, it is impossible to fix at present the exact course which will be taken.

4.—After the withdrawal of the silver *yen* from the market, its place will doubtless be taken by British and Mexican dollars. As regards the reserve for convertible notes, the Hongkong and Shanghai Banking Corporation is bound to keep specie (in silver), but the Chartered Bank has the privilege of keeping its reserve in British public bonds. There is no doubt that the silver *yen* now kept in reserve will be replaced by British and Mexican dollars, as soon as their supply becomes abundant.

Report VI:—(Consular telegram; dated Singapore, July 17th, 30th year of Meiji).

A few days since, the silver *yen* again made its appearance and is freely circulating together with other currencies. According to a reliable authority, this is due principally to a disadvantageous rate of exchange contrary to expectations, as well as to insufficiency in the supply of British and Mexican dollars for meeting the demand of the market. The present is a favourable time for establishing a bank at this port, and buying up the silver *yen*, or for buying in Europe commercial notes for Singapore and Penang, or for importing here Mexican dollars from Europe. The silver *yen* coins thus secured may be stamped and forwarded to Bombay to be recoined into British dollars, which may in turn be brought here and used again for buying silver *yen*.

Report VII:—(Consular report; dated Singapore, July 17th, 31st year of Meiji).

Since making the detailed confidential reports, No. 10 and No. 12, with reference to the silver yen, the latter reappeared in the market toward the end of last week. Not only that, but this week it has appeared freely in circulation mixed with British and Mexican dollars,—even the banks paying out the silver yen apparently without any reluctance. For this reason I called on Mr. Frizell, manager of the Chartered Bank, and in the course of our conversation which traversed the whole general field of the money market, the importation and exportation of currencies, the present circumstances concerning the silver yen, etc., I asked him for his explanation of the recent reappearance of the silver yen in the market. He replied: "The first cause is this, that while all those in banking business believed, at the time of the promulgation of the currency reform law in Japan, that, as a result, silver coins would depreciate, and endeavoured by all means in their power to absorb silver yen in order to ship it to Japan with the coming of October next and make a good profit by having it exchanged for gold (the details of these transactions have already been stated in my confidential reports above referred to), they all released the British dollars they had been keeping in the conversion reserve and replaced them with the silver yen. Regarding the cash on hand, too, they took care to meet all kinds of payments with British and Mexican dollars and keep back the silver yen whenever possible, besides making efforts to import British and Mexican dollars and change them for silver yen. But since then, they have found out that the depreciation of silver currency was unexpectedly slow; nor did the exchange rate show the expected fluctuations." "The second cause is," my friend went on to observe, "the searcity of the supply of British and Mexican dollars," etc. Now the current quotation on silver bullion in London is not less than 27 5/8 d., and that on the Mexican dollar 27 3/8 d. per ounce. The exchange rate between Singapore and London is only fluctuating between 1 s. $11^{13}/_{16} d$. and 1 s. $11^{11}/_{16} d$. Now this, compared with the exchange rate of 2 s. 01/2 d. per our new gold yen, arranged between our Government and the Chartered, the Hongkong and Shanghai, and Rothschild Banks, in reference to the sale of our public bonds, the advantage is merely 3/4 d. and no more. In other words, the Profit side in table No. 2. in the confidential report No. 12, becomes \$1,032.66 (as may be seen in the accompanying table No. 1), while the expenditure remains at the same sum of \$35.62, showing a loss of \$2.96. If, on the other hand, the calculation is made as per Table No. 1. of the said confidential report, the Profit side will become reduced to \$ 17.50, the ratio between silver and

gold being 1.0175 Mexican dollar to one yen gold, while the expenditure will stand at \$ 10.05. But when the interest for the three months of July, August and September, viz. \$ 20.00 is added to it, the total will come up to \$30.05, causing a loss of \$12.55. As the loss and profit account given above shows the unprofitableness of the scheme, I believe that the bankers will not adopt the stupid course of locking up their capital for importing British and Mexican dollars, aiming at an uncertain profit, but would rather choose to engage in the discounting of notes as being more reliable and profitable, or to utilize the capital in some other transactions. For the last three or four months they have clung to the silver ven by making their payments in British and Mexican dollars, and sending away the latter when imported to Siam, Indian Archipelago in Dutch possession, Malay Peninsula, etc., thus in the end bringing about their present scarcity. Hence there arose, on the one hand, a demand for specie to be shipped off for buying local products and for other purposes, and on the other, the bankers with perfect unamnity, all at once, began to release the silver yen in their possession on account of a fear that the profit expected from absorbing the silver yen would not be realized; there can be little doubt that these account for the present change in the market situation.

Report VIII:—(Dated July 19th, 30th year of Meiji).

While staying in Calcutta on my way home from Bombay, I received your telegram instructing me to find out the amount and condition of circulation of our silver *yen* in Singapore, and whether there was any premium placed on its exchange with other coins. Accordingly I started for that place on June 8th and stayed there till the 15th of the same month. The results of my investigations during that time are as follows:—

I. The Amount in circulation.

I tried to ascertain the amount of our silver yen found scattered throughout the regions of Singapore and the Straits Settlements but the absence of reliable statistics or of reports of any kind made it impossible for me to obtain anything like exact figures. On making inquiries, however, as to the amounts of importation and exportation of various silver coins for the last eight years, that is, commencing with the year in which our silver yen first began to enter these ports, I found the actual figures were as per accompanying table No. 1 (omitted here) and thus the total amount imported from Japan aggregated over 62 million yen. Of this amount nine-tenths is thought to consist of the silver one-yen.

Again during the same period silver coins were shipped to Japan to the amount of over five million *yen* which, however, consisted chiefly of the Mexican dollar. Hence the total of our silver *yen* imported to these settlements may be put down at fifty five or fifty six million *yen*.

While the facts are as stated above, yet since this place is the centre of distribution for the trade of the neighbouring markets, the commodities imported here are not necessarily for local consumption,—they being largely brought here for the purpose of re-exportation to other places, and the imported currencies, too, largely follow the same course. It may therefore be taken for granted that of the amount of the silver yen imported here a large portion must have again found its way all over the neighbouring regions. Furthermore there are always a very large number of Chinese labourers coming in and out of this place, to the extent of our hundred and fifty to two hundred thousand a year. Hence it must also be supposed that no inconsiderable amount has been carried away into China or some other countries by such of these Chinese as were able to save more or less. Taking all these circumstances into consideration, the amount of one-yen silver coins lying scattered about in the Straits Settlements alone may be estimated at about twelve or thirteen million yen.

Supposing then the amount of the silver yen, present in these settlements to be twelve or thirteen million yen out of the fifty five to fifty six millions (total amount that was imported), there is a remainder of forty two or three million yen to be accounted for. Now the principal places where these coins have gone seem to me to be various regions of China, the British possession of Hongkong, French Indo-China, Malay peninsula, Siam, Java, Sumatra, Borneo, etc. Of these coins a large number of those which found their way into China and Siam are thought to have been melted down, or defaced so as to deprive them entirely of their shape and appearance. Those which have gone into other places are, however, believed to be circulating as currency, supplying the need of each region.

One yen silver coins circulating in the Straits Settlements are all in perfect condition, none being in any way damaged or defaced. In regard to the proportion of the defaced to the perfect ones, in the case of those exported from here into other countries only a conjecture can be advanced. Perhaps half and half is as good a conjecture as any.

II. The condition of Circulation of the silver yen.

Formerly the currency of this place used principally to consist of the Mexican dollar; but for some years past its supply has been growing less and less until a great searcity of currency came to be felt in the market.

Just then our silver yen began to be imported in large quantities and at once found favour with the natives and the public at large, owing to its elegant appearance and reliable weight and quality. In February, 1895 (28th year of Meiji), moreover, the Government of these settlements made it legal tender, so that the silver yen finally came to practically monopolize the monetary circulation of this place.

The above are what I personally observed during my visit here last spring. But my present trip here has revealed to me quite a changed order of things. The currency in use for ordinary transactions is now in the majority of cases the British dollar. This change, I believe, is owing to the tendency among the banks to hoard the silver yen as much as possible, in view of the promised exchange of that coin for gold as the result of the coinage reform in our country, as well as to the fact that the free coinage of silver being stopped in our country, the remittances for goods exported from these regions can not be obtained hereafter in the silver yen as hitherto, but only in the British dollar; so that the bankers are probably trying to popularize in time the circulation of the latter currency.

III. Whether any premium is placed on the silver yen in exchange.

As was stated above, the amount of the British dollar in circulation here has recently much increased, while that of the silver yen has suddenly decreased. In investigating the exchange rate between the two coins, I first sought the opinion of the secretary of the Chamber of Commerce of this place, who replied that there exsisted some disparity between them. On the other hand, the manager of the Chartered Bank said that he had not heard of the existence of any such disparity; while opinions were, I found, equally divided in other quarters. So I set myself to test the actual state of the case in a practical way. I sent on one occasion a cheque for five hundred dollars to a bank to be cashed all in silver yen. And the bank without the least trouble paid the whole amount in that coin. On another occasion I took out one hundred dollars in bank notes to a native broker, and asked him to change them into the silver yen; and he did so for a commission of fifty sen. Again I took the amount of one hundred yen, all consisting of silver yen coins, to a bank and requested to have them changed into bank notes: and it was done so at once with a commission of fifty sen.

The above are indeed the discounting commissions and are not premiums in the strict sense of that term. Yet to make the matter still more certain, I went to a Chinese shop and paid for a purchase with a one hundred dollar bill, requesting the change be given all in the silver yen.

The man at the store did so instantly. Now the Chinese are notoriously sharp in looking out for the least profit, so that if there were really any premium on the silver *yen*, I thought this store keeper would not miss charging me in paying one *yen* for change. All these prove, then, that as yet there is no premium placed on the silver *yen* in these regions.

In fact if there were a premium placed on the silver *yen*, there ought to occur a change in the rate of exchange, but the actual state of things is as per Table No. 2 (omitted here); and there has not occurred yet any change in the rate of exchange. This again proves that as yet no premium is placed on the silver *yen*.

So long as the ratio between gold and silver remains as at present, there ought to be, as a matter of course, some premium placed on our silver yen, and it would seem strange that that is not the actual state of the case. The explanation seems to lie in the fact that many people in these regions are of the opinion that Japan was somewhat rash in adopting the gold standard; some even going so far as to doubt whether our country is in command of sufficient financial means to enable it to effectively carry out the reform measure. Hence at the present time when the actual exchange of the silver yen for gold has not yet commenced, they do not seem to dare to gather in the silver yen and pay a premium by foregoing the interest on the amount thus gathered in. Or it may be that the bankers are perhaps fully aware of the profitableness in the end of such a transaction; but they know that if once they begin to place a premium on the silver yen, it will but tend to cause a popular excitement, so that the public will immediately begin to hoard it and refrain from paying it to the banks. That the banks have not placed a premium on the silver yen may be due to a policy on their part to easily absorb that currency.

IV. Concerning the importation home of the silver yen to be exchanged for gold coins.

If the ratio between gold and silver should remain the same I believe that, when the reformed coinage system went into force and the exchange of the silver yen for gold currency was commenced, there would be a considerable number of people in these places to ship silver yen to our country to have it exchanged for gold. Now the expenses involved in forwarding the silver yen to Japan, in having it exchanged for gold and the latter re-shipped to Europe, does not exceed about 1½ per cent. While if we compare the present market quotation on silver with the valuation fixed by our Government, at which the exchange is promised to take place, the latter is higher by $\frac{5}{100}$ to $\frac{6}{100}$. This means that, even after deducting the expenses above referred to, there

will still be left a marginal profit to the extent of $3^{1/2}$ to $4^{1/2}$ per cent. But since the process will require about three months to complete, this marginal profit will represent an interest at the rates of 14 to 18 per cent. per annum. Under these circumstances the banks which engage in foreign exchange will doubtless forward as large an amount as possible of the silver yen out of their cash on hand and seek to have it exchanged for gold. At the same time, none of the banks here is in possession of surplus cash to any large extent, and this is even more or so with ordinary commercial firms; while as regards silver yen which are in the hands of small retail merchants and common labourers it will be impossible to gather them together, as they are being made to serve as currency in daily use, unless some other coins are offered to take their place. Taking all these circumstances into consideration, I do not think that the amount of the silver yen that will be sent home in order to be exchanged for gold will be for the time particularly large. Now the coin which will be made to take the place of the silver yen will be the British dollar. The total amount of British dollars issued is shown in the accompanying Table No. 4. (omitted here). The table however comes down only to April of this year, and its figures therefore cover the period previous to the adoption of the gold standard in Japan. It will, hereafter, be necessary to watch the amount of the British dollars which will be coined at the Indian Mint.

Report IX:—(Consular telegram; dated Singapore July 31st, 30th year of Meiji).

Owing to a change in the rate of exchange there has again appeared a tendency on the part of our silver *yen* to disappear from the market.

Report X:—(Consular report; dated Singapore August 10th, 30th year of Meiji).

The rate of exchange here has risen again of late, along with the depreciation of silver; the rate of the sight draft on London being about $1s.\ 10^{4}/2d$. With the approach of the date for the enforcement of our coinage law, the bankers of this port, though they have ceased for a while to make efforts to absorb the silver yen, have now commenced again since a few days past to try to accumulate our silver yen. Furthermore they are now making efforts with greater earnestness than formerly and their area of operation is much larger. In consequence of this, the silver yen is now rapidly disappearing from circulation and this circumstance is causing no little inconvenience in the money market. Hence to meet the occasion, British dollars are being brought from Bombay

and Mexican dollars from Hongkong, Shanghai and London to take the place of the Japanese coin. The banks pretend that there is no disparity whatever between our silver yen and the Mexican dollar; yet since their policy seems to be to hoard the silver yen, the smaller brokers are said to be charging a premium of over five sen on our silver yen. Indeed the Chartered Bank has already made a shipment of the silver yen to Japan; while the amount forwarded by some of the Chinese merchants here to Hongkong during the past week has reached eighty to ninety thousand yen. As the result of these facts, the premium on the drafts on Yokohama, which has hitherto been from 25 cents to 50 cents per 100 yen, has made a sudden big rise, the Hongkong and Shanghai Banking Corporation demanding \$2.50, while others are charging from \$3.00 to \$3.50; the highest rate charged is said to be \$4.00. Now these rates compared with the rate hitherto in vogue, i.e. 25 sen, means of course an enormous rise. Since, however, these drafts are made payable in the silver yen, while they may be paid for with Mexican dollars here, and there being charged here already a premium of about 5 sen on the silver yen, even the rate of 4 yen does not seem to be altogether unreasonable. Not only so, but there is an indication that the premium may even get to be seven or eight yen, so that unless the quotation on silver goes up hereafter the silver yen will steadily disappear from the market here and will as steadily flow into Japan; and it is but natural that the exchange rate should rise accordingly.

Report XI:—(Dated August 19th, 30th year of Meiji).

Talking about the importation home of the silver yen from the Straits Settlements, the manager of a certain foreign bank told me that he has already received 100,000 silver yen which were sent back, and that he had notice of 250,000 yen more coming home in a short time. He told me, morever, that those 1-yen coins had all been secured at a premium of 5 to $6^{1/2}$ per cent. and that, he thought, the premium must have become still higher since. Speaking for myself, while I believe the silver yen will continue to return home, yet I do not think the amount will reach very high figures until the time when the silver bullion imported to Bombay from London shall have been minted and British dollars sent over to the Straits Settlements.

Report XII:—(Dated August 20th, 30th year of Meiji).

According to the views of Mr. Stephens, manager of the Chartered Bank, which he expressed to a certain person in the course of a conversation, the premium on silver *yen* has risen now to 10 per cent. in

the Straits Settlements, and there are only very few of those coins in circulation; all those that find their way into banks are at once stored away (some other currencies being used in making payments); with all this, however, the total amount of silver yen held as reserves by various banks of Singapore and Penang will not reach three million yen and as all of them are held as reserves, these banks will not be able to make the shipment of any part of them to Japan until they obtain some other coins to take their place. On making inquiries as to the amount of British dollars turned out each month at the Bombay Mint, it was found out that at present, there being quite a large number of applicants for coinage, the Mint may be able to turn out about one and a half million dollars by working itself to its fullest capacity. Under these circumstances, if silver bullion were brought from London to Bombay and coined into British dollars and the latter then imported to Singapore to take the place of Japanese silver yen and then further if the banks would ship their silver yen to Japan, it would need two or three months to complete the process. As an actual instance, the Yokohama branch of the Chartered Bank is reported to have recently forwarded 400,000 Mexican dollars to its branch office at Hongkong, in order to have them changed into silver yen; and it is reported that though every possible means was employed by the branch office of that bank at Penang only 200,000 yen could be secured at 5 per cent. premium; and the Chartered Bank was obliged to have the balance of the said remittance of Mexican dollars sold at Hongkong, as it was absolutely impossible to have them changed into silver yen. It is further reported that the same bank is trying, by means of daily telegraphic communication, to secure silver yen in Singapore and its vicinity, but that it has so far failed in its object, owing to the actual scarcity of that coin, which as already stated is now quoted at a premium of 10 per cent. To the question: "Do you think it will be possible to secure silver yen in Singapore and its vicinity, by offering London bills in exchange?" Mr. Stephens is said to have answered that such an effort would be entirely useless, on account of the great scarcity of that coin. Such being the case, I believe that, in order to make our coinage reform stand upon a secure basis, it will be necessary to speedily prohibit the circulation of the silver yen and shorten the period of its exchange to three months or so.

Report XIII:—(Dated September 14th, 30th year of Meiji).

An officer of a certain foreign bank said to me that they have received a letter from the manager of the Singapore branch of that bank, intimating that the amount of the silver *yen* in circulation in the Straits settlements has hitherto been greatly overestimated; that though the Bank will import about one million yen within the next two or three months, yet they would be greatly surprised if there should be on the whole a particularly great amount of the silver yen coming back to Japan; that in spite of the premium of 10 per cent. it was impossible to secure any large amount of silver yen in Singapore and Hongkong; that the one million yen, mentioned before as the amount expected to be received within the next two or three months, are what the Singapore branch has been holding for a long time as part of its conversion reserve; that it was reported that the Siamese Government had in its possession several hundreds of thousand of silver yen, but that these were probably so damaged as to be unfit for circulation, while the amount that had been already melted down in that country must be quite considerable.

Report XIV:—(Consular report; dated April, 31st year of Meiji).

Regarding the condition of circulation of the silver yen during the month of April, 31st year of Meiji, it may be remarked that one occasionally comes across that coin in the market, but in the majority of cases it is the defaced one which was refused exchange. Hence the reason why, in spite of the great reduction in its market value, the silver yen does not find its way back to Japan in any large amount, is because what could be got has already been gathered in and it is now extremely difficult and of very little profit to hunt up the perfect or undefaced ones.

Report XV:—(Consular Report; dated May, 31st year of Meiji).

The total of Japanese silver yen shipped with the object probably of having it redeemed in gold, from Singapore to Hongkong and Yokohama during the month of May, 1898 (31st year of Meiji), was over ninety thousand yen. Recently there has appeared a tendency on the part of silver to rise in price as compared with gold, and hence it is presumable that the amount of silver yen going back to Japan will hereafter gradually get smaller.

As stated above there arose, toward the middle of August of 1897, a tendency in Singapore, Hongkong and their vicinities to buy up and accumulate our silver yen, and the premium on the silver yen, which was at first one or two sen per one yen, then rose to seven or even eight sen. In spite of this activity in buying this coin, the banks of the places mentioned did

not seem to care to ship it to Japan, although they had in their possession large amounts of that coin. On inquiry it was found out that they did not do so, on account of the fact that they did not have a sufficient supply of the British dollar to take the place of silver yen. Thus it seemed that the amount of silver yen imported to this country depended entirely upon the amount of supply of the British dollar.

Accordingly on the 17th of August, 1897, a telegram was despatched to the Consul at Bombay, requesting him to investigate and report as to the amount of British dollars coined at the Indian Mint, whether there was any tendency to increase the amount, what were the future prospects in regard to its output, &c. A reply was received on the following day, i. e. 18th August, as follows:—

Silver bullion forwarded to the Mint here to be coined into trade dollars since January to the 13th of August of this year, amounted to over 7,705,000 oz. Out of this quantity, the coins turned out and exported amounted to over \$7,338,000. The export of these coins has gradually been increasing, it having reached the sum of over \$3,000,000 since June to 13th August. There is no indication that there will be any change of situation in the future.

Again on despatching a telegraphic inquiry on the 30th of August to the Consul at Bombay, as to the destination and the ultimate fate of the British dollar after being exported from India, an answer was received as follows on September 1st.:—

I was informed by a customs officer that the amount of British dollars exported to the Straits Settlements, from January to August 22nd this year reached \$ 7,512,000 and that to Hongkong, \$ 524,000.

Again on asking the Consul at Singapore for information in regard to the coining of the British dollar at the Indian Mint as well as concerning the coinage capacity of that Mint, the following report was received under date of September 30th:—

* * * * * The Bombay Mint since the suspension of the free coinage of rupees has been engaged principally in coining Pritish dollars

and in recoining the rupees which were worn off or short of legal weight into smaller silver coins. In regard to the coining of British dollars it was at first arranged to coin \$5,000,000 by turning out 20,000 dollars per working day, as the smallest annual amount to be accepted, at the joint request of the Chartered Bank and the Hongkong and Shanghai Banking Corporation. Recently, however, the number of applications for the coining of British dollars having extraordinarily increased, the Mint is said to have increased its working hours, making them from 6 a. m. till 9. p. m. But no definite information has been obtained as to the increased amount of coins turned out per day on account this increase in the number of hours. Further, it is to be presumed that the amount will vary according to days; but it may perhaps be estimated without going too far astray at somewhere between forty and fifty thousand yen. A detailed report will be submitted after further investigation.

The same Consul made a further report under date of October 5th as follows:—

The producing capacity of the Bombay Mint has been increased since the latter part of August and it is now turning out 200,000 British dollars daily, the employees working from 6 a.m. till 9 p.m. Putting the number of working days of a month at twenty six, its output per month will thus be \$5,200,000.

According to the contract entered into in 1896 at the instance of the Hongkong and Shanghai, the Chartered and several other banks, the Bombay Mint was to coin upward of \$5,000,000 per annum. But no effort was made either on the part of the Mint or the banks to carry out the terms of their contract in this respect, and as stated in Confidential Report No. 12 of this year, the output for 1895 amounted to only \$3,193,493, and that for 1896, \$2,958,620, while \$3,265,018 were coined during the first fiscal term of this year, namely January, February and March, 1897. Out of these amounts, \$2,500,000 in 1895, \$3,240,000 in 1896, and \$2,837,000 during the first three month of this year were imported into Singapore (no direct import being made into other points in the Straits Settlements). In other words 91 per cent. of the total output of the British dollar from the Bombay Mint was imported into this settlement (i. e. Singapore).

At the time the Mint was re-opened for the first time, the daily output was only \$20,000; but as the coin grew in popular favour, the amount was increased to \$40,000 and it is said that during January and February of this year, the daily output had reached sixty thousand

dollars. As soon as the news of the adoption of the gold standard in Japan in March last was received here, it is said that the Hongkong and Shanghai Banking corporation, the Chartered Bank and other banks increased the amount of the bullion they deposited at the Mint and had the working capacity of the latter increased so as to be able to turn out \$ 100,000 a day. In the middle of August, they again requested that the amount produced be further increased to \$ 200,000, and in accordance therewith, the Mint authorities put electric lights into the workshops and prolonged the working hours to 9 p. m. Judging from these circumstances, it would not be a difficult task for the Mint to turn out to \$ 300,000 a day, by working day and night with frequent changes of hands.

Concerning the destination of the British Dollar.

Since there is an inquiry made concerning this subject in the official communication (secret) No. 1024 of the Vice-Minister of Finance, a word may be added here on the question. The amounts of the total output of the British dollar and of its importation into the Straits Settlements being as stated in the preceding paragraph, it will not be improper to say that the British dollar is being coined for use in those Settlements. Now as to its re-exportation; the largest part imported into these Settlements had hitherto been in the habit of entering Bangkok in payment for Siamese rice and fish (salted and dried) and after entering the country to be recoined into Tical; but since about February or March of this year the silver yen having become quite scarce, the banks adopted various means of forcing their British dollars into circulation in Malay Peninsula, Sumatra, Borneo and other neighbouring islands. At present the silver yen having entirely disappeared from circulation in these parts, British and Mexican dollars are filling its place.

Concerning the policy of buying up the silver yen.

I am happy to know that my humble suggestion to buy up the silver yen here and after stamping it, to send it to the Bombay Mint to be recoined into the British dollar, has called forth the attention of the authorities at home. Of late, silver has recovered much of its former market rate. The quotation on sight drafts on London stood at 1s. $10^{3}/_{4} d$. on the 2nd inst., $7/_{8}$ to $13/_{16}$ on the 3rd and 4th, and to-day (5th) it stands at $11/_{16}$ to $1/_{2}$. The premium on the silver yen being from 2 to $2^{1}/_{2}$ cent per one yen, the present seems to be a very favourable time for buying up the silver yen. Though it is impossible to tell whether this high rate will last for any number of months, or whether a still further rise will take place, yet in order to bring about the successful carrying out

of our coinage reform, I believe it is necessary to retire the silver yen from circulation as speedily as possible. In view of this fact, I would urge most earnestly upon the attention of the authorities at home the advisability of devising some plan of forwarding Mexican dollars and silver bullion and also bills of exchange, with the view of employing them in buying 1-yen silver coins; and to organize here at the same time an agency or agencies for carrying on the work of buying those coins as opportunities may arise, and to forward the coins thus secured to the Bombay Mint in order to have them recoined into British dollars.

About this time, the authorities having been informed that the Bombay Mint was most busily engaged in minting British dollars and was turning them out at the rate of \$200,000 a day, a telegram was despatched to the Consul at Bombay on the 21st of October to ascertain the truth about the matter. The consul on the following day wired his reply as follows:—

The Mint authorities say that \$200,000 have daily been coined since the beginning of August, but that after the 23rd of October the amount will be reduced to \$100,000, unless the banks make demand for the coining of a larger amount. The export of trade dollars from October 1st to 15th was \$2,900,000.

As was seen from the various foregoing reports, the Indian Mint was working very hard to coin British dollars, which were intended to serve as substitute for silver yen. Since it was very clear now that the movement of our silver yen in circulation abroad would greatly depend upon the condition of supply of the British dollar, orders were sent to forward semimonthly reports concerning the amounts of British dollars coined and exported and of their destination, and thus a close watch was kept upon the situation. The amounts of British dollars coined and exported since January, 1897, according to the reports received semi-monthly, as mentioned above, were as follows:—

1897	(30th	year of Meiji)	January	\$ (British)	93,870.00
	,	do.	Feburuary	,,	1,038,300.00
		do.	March	"	1,779,120.00
		do.	April	"	506,370.00
		do.	May	"	602,000.00
		do.	June	,,	1,341,940.00
		do.	July	22	1,431,850.00
		do.	August	22	1,644,710.00
		do.	September	22	4,794,690.00
		do.	October	22	4,276,295.00
		do.	November	22	2,566,718.00
		do.	December	22	867,790.00
1898	(31st	year of Meiji)	January	77	1,130,508.00
		do.	February	"	1,124,219.00
		do.	March	22	2,176,541.00
		do.	April	"	2,141,950.00
		do.	May	27	4,788,679.00
		do.	June	27	2,692,318.00

Classified according to their destinations, the above-given amounts show the following movements:—

	Exported to the Straits Settlements	Exported to Hongkong
1897 (30th year of <i>Meiji</i>)	\$ (British)	§ (British)
January to July	5,969,966.00	524,240.00
August	2,177,196.00	190,643.00
September	3,713,424.00	108,792.00
October	2,741,578.00	1,534,717.00
November	2,159,281.00	407,430.00
December	743,945.00	123,845.00
1898 (31st year of <i>Meiji</i>)		
January	1,130,508.00	0
February	1,051,228.00	63,694.00
March	1,993,893.00	182,648.00
April	1,665,718.00	476,232.00
May	4,398,864.00	389,815.00
June	2,275,837.00	416,481.00

Table XXXI and XXXII are herewith adjoined for reference concerning this section.

TABLE XXXI.

ACCOUNT CONCERNING THE SILVER YEN.

(as the account stood on July 31st, 1898).

Total issue of one-yen silver coin
Of the above amount:—
Demonetized and melted down at the Government
Mint
Net amount exported abroad
Amount un-retired, being transferred to Formosa . 5,732,027.000
Taken to the fields of war during the late Japan-
China war
Total amount retired
Of the amount retired:—
Of the amount refred.
Directly exchanged for gold coins 38,648,297,000
Directly exchanged for gold coins 38,648,297.000 Received in the form of public revenues and other
Directly exchanged for gold coins
Directly exchanged for gold coins
Directly exchanged for gold coins 38,648,297,000 Received in the form of public revenues and other payments to the Government at home 3,977,099.000 do do in Formosa 2,962,973.000 Amount left unexchanged at home 2,815,037.000
Directly exchanged for gold coins 38,648,297,000 Received in the form of public revenues and other payments to the Government at home 3,977,099.000 do do in Formosa 2,962,973.000 Amount left unexchanged at home
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Directly exchanged for gold coins 38,648,297,000 Received in the form of public revenues and other payments to the Government at home 3,977,099,000 do do in Formosa 2,962,973,000 Amount left unexchanged at home 2,815,037.000 Total
Directly exchanged for gold coins 38,648,297,000 Received in the form of public revenues and other payments to the Government at home 3,977,099.000 do do in Formosa 2,962,973.000 Amount left unexchanged at home

TABLE XXXII.

SHOWING THE AMOUNTS OF THE SILVER YEN RECEIVED IN EXCHANGE FOR GOLD COINS BY THE DIFFERENT GOVERNMENT TREASURIES.

Names of Government Treasuries	Amounts received between Oct. 1st 1897—Mar. 31st 1898	Amounts received between April 1st 1898 and the time when the period allowed for exchange expired	Total
	yen	yen	yen'
Central	30,756,585 000	5,925,587 000	36,682,172'000
Kyoto	5,280,000	0	5,280 000
Osaka	1,096,000 000	108,000,000	1,204,000,000
Nagasaki	190,560 000	44,200 000	234,760 000
Niigata	12,540 000	0	12,540 000
Mayebashi	380 000	0	380,000
Chiba	34,000 000	4,200 000	38,200,000
Mito	2,550 000	0	2,550 000
Utsunomiya	0	0	0
Nagoya	42,230 000	0	42,230,000
Shidzuoka	600 000	0	600 000
Kofu	150 000	0	150 000
Gifu	34,000'000	8,000 000	42,000 000

			_
Names of Government Treasuries	Amounts received between Oct. 1st 1897—Mar. 31st 1898	Amounts received between April 1st 1898 and the time when the period allowed for exchange expired	Total
	yen	yen	yen
Nagano	10 000	0	10,000
Fukushima	3,610 000	225 000	3,835 000
Sendai	7,660 000	1,000 000	8,660 000
Morioka	0	0	0,
Aomori	3,000 000	0	3,000 000
Yamagata	320 000	0	320 000
Akita	5,520 000	140 000	5,660 000
Fukui	30,640,000	9,550 000	40,190 000
Kanazawa	8,770,000	10,000 000	18,770 000
Toyama	0	0	0
Tottori	7,880 000	0	7,880 000
Matsuye	0	0	0
Okayama	3,500,000	0	3,500 000
Hiroshima	7,500,000	0	7,500 000
Yamaguchi	0	0	0
Wakayama	20,550 000	0	20,550 000
Tokushima	1,010,000	0	1,010 000
Takamatsu	70,000 000	40,000 000	110,000 000
Kochi	7,540 000	0	7,540 000
Matsuyama	2,870,000	0	2,870 000
Fukuoka	0	0.	0
Saga	870 000	300 000	1,170 000
Oita	0	0	0
Kumamoto	1,000,000	0	1,000 000
Miyasaki	2,880 000	120 000	3,000 000
Kagoshima	0'	0'	0
Nawa	0	0	0
Hakodate	136,000 000	0	136,000 000
Sapporo	950.000	20 000	970 000
Total	32,496,955 000	6,151,342 000	38,648,297 000
10001	02,200,000,000	0,101,042000	00,040,491,000

In Yokohama and Kobe, the business of exchange was conducted by the Yokohama Specie Bank as the agent of the Bank of Japan, and afterward the Specie Bank had the silver yen again exchanged for gold coin at the Central Government Treasury.

Amount exchanged of those in circulation at home	11,009,231.000
Amount exchanged of those which constituted the Bank of Japan's Conversion Reserve	16,792,601.000
Amount brought in from abroad and exchanged	40040 40# 000
Total	38,648,297.000
Separate Account:— Received into the Government Treasury in the form of reve-	
nue, etc.	3,977,099.000
The aggregate amount on hand at various Government Treasuries in Formosa (on July 31st, 1898)	9.000.050.000
Total of silver one yen	45,588,369.000
Promissory note of the Mint	
Grand Total	75,093,822.042

CHAPTER X.

FINAL DISPOSAL OF THE RETIRED SILVER YEN.

The aggregate total of one-yen silver coins retired in consequence of the enforcement of the Coinage Law (Law No. XVI of the 30th year of Meiji), and of the silver bullion corresponding to the promissory notes of the Mint to pay coins (also retired) was 75,093,822 yen 4 sen 2 rin. Out of this total, the sum of 27,567,011 yen 58 sen 4 rin was set apart for minting subsidiary silver coins; and the sum of 40,786,662 yen 45 sen 8 rin was sold at Hongkong, Shanghai and elsewhere, while the sum of 6,740,148 yen was sent over to Formosa, Korea, etc. to be placed in circulation in these countries. In this way in December, 1898, was completed the final disposal of the retired one-yen silver coins and of the silver bullion corresponding to the promissory notes of the Mint (also retired).

In making the disposal as stated above, it was feared that if one-yen silver coins were sold abroad in a perfect condition within the period allowed for their exchange, they would return again to be exchanged. For this reason it was decided to have the word, (silver), stamped on their face at the Mint that they should henceforth cease to be legal tender. Accordingly the Finance Minister, Count Matsukata, gave instruction to the Mint Bureau on September 9th, 1897, as follows:—

The one-yen silver coin which shall be received by the Government in exchange for gold shall from time to time be forwarded to the Mint. The Mint shall after due examination stamp on its face an impress as shown below and return it to the Government Treasury.

The Mint Bureau shall make arrangements so that the examination and stamping above mentioned may also be done at the Tokyo Branch of the Mint and submit the same for sanction.

The Mint shall make an estimate of the expenses incidental to carrying out the above mentioned examination and stamping and submit the same for sanction.

The form of the stamp to be placed on the silver *yen* shall be as follows:—

 $[\]textcircled{R}$ —one bu and five rin in diameter.

The coins which received the stamping in accordance with the above instruction amounted to 20,450,000 yen, of which 18,350,000 yen were stamped at the Mint at Osaka and 2,100,000 at its Tokyo Branch.

As regards the amount to be sold in Shanghai, it being thought advisable to convert the coins into "horse-shoe shaped silver," the Finance Minister (Count Matsukata), on the 18th of February, 1898 (31st year of Meiji), gave instructions to the Mint Bureau as follows:—

The Mint Bureau is hereby notified that an instruction as per separate paper has been issued to the Cashier-in-Chief of the Government Treasury, concerning the paying out of the promissory notes of the Mint which represent the bullion to be turned into "horse-shoe shaped silver."

The separate paper mentioned above is as follows:—

The Government Treasury at Osaka is hereby ordered to pay out under the item "Delivered to the Mint Bureau," the amount named below to be used as bullion to be converted into "horse-shoe shaped silver," and to hand over the same to the Mint Bureau; viz:—

Promissory note of the Mint to pay coins
(No. 179) yen 177,200.542

The total amount of "horse-shoe shaped silver" manufactured in accordance with the successive instructions similar to the above was altogether 1,071,290 yen.

With the exception of the above mentioned amount, the rest was all disposed of either in bullion form or in the form of one-yen silver coin. The details of the circumstances attending the disposal as well as the account of the losses incurred by the Government will be given under respective sections which follow.

For reference concerning this chapter, Table XXXIII is herewith adjoined.

TABLE XXXIII.

ACCOUNT IN DETAIL OF THE AMOUNTS OF THE SILVER YEN SOLD OR OTHERWISE DISPOSED OF.

yen .
Amount which was circulating at home 11,009,231.000
In detail 7, 7, 7, 7, shroad 10,846,465,000
In detail (1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1
Amount of one-yen silver coin received in payment of
taxes and other public dues, and afterward ex-
changed for gold 3,977,099.000
Amount of one-yen silver coin received in Formosa and
afterward exchanged for gold 2,962,973.000
Promissory notes of the Mint exchanged for gold 25,678,148.840
Promissory note of the Mint retired previous to October,
1897, for the coining of subsidiary coins 3,827,304.202
Total
Total sold and otherwise disposed of
Details as follows:—
Transferred to the Mint Bureau in order to be
minted into subsidiary coins
Details concerning the above sum:—
In one-yen silver coin
The same stamped
Transferred to and sold in Shanghai 17,546,288.428
Details concerning the above sum:—
In one-yen silver coin
do stamped 550,000,000
In promissory notes of the Mint 15,724,998.057 do converted into
"horse-shoe shaped silver" 571,290.371
Transferred to and sold in Hongkong 15,823,000.000
Details concerning the above sum:—
In one-yen silver coin
do stamped 13,953,000.000
Sold to foreign banks
Details concerning the above sum:— In one-yen silver coin 3,000,000.000
do stamped 2,250,000.000
In promissory notes of the Mint 2,167,374.030
Disbursed in Formosa at current valuation . 6,212,973.000
Details concerning the above sum:—
In one-yen silver coin
do retired in Formosa . 2,962,973.000 In one-yen silver coin stamped and forwarded 2,100,000.000
Disbursed at Wei-hai-wei at current valuation . 197,175.000
In one-yen silver coin stamped 197,175.000
Disbursed in Korea at current valuation 330,000.000
In one-yen silver coin stamped 330,000.000
Balance:—No remainder.

SECTION I.

Disposal by recoinage into subsidiary silver coins.

As was already stated in Section II, Chapter VII, it being decided to make an additional issue of subsidiary silver coins simultaneously with the enforcement of the coinage Law, there arose a necessity for minting subsidiary silver coins in order to be prepared for the event. In view of this fact, the Finance Minister (Count Matsukata) decided to use retired one yen silver coin and the silver bullion at the Mint corresponding to the promissory notes of the Mint as the material for minting subsidiary silver coins. He now issued the following instruction to the Bank of Japan under date of April 10th, 1897;—

While subsidiary coins are to be minted from one-yen silver coins to be now gradually withdrawn from circulation, yet the silver yen pieces that are at present kept at the bank of Japan as its conversion reserve should be left intact, and when the Cashier-in-Chief of the Government Treasury demands the delivery of the same to the Mint in exchange for convertible notes, the bank shall instead forward the promissory notes of the Mint to pay coins to the Government Treasury at Osaka.

As the convertible notes above referred to shall be in one-yen notes the amount thus handed to the Bank shall be deducted from the amount of one yen notes issued.

It being thus decided to employ the silver bullion represented by the promissory notes of the Mint to pay coins as the material for minting subsidiary coins, the process of transferring the bullion from the Government Treasury to the Mint was gone through from time to time. But when in February, 1898, the practicableness of selling off the remaining bullion in China was clearly seen, the Finance Minister, Count Inouve. decided that in minting the subsidiary coins alloted for the 31st fiscal year of Meiji (1898), the retired one-yen silver coins should be used as material, instead of the silver bullion in the Mint corresponding to the promissory notes. Accordingly he issued an order to the Mint Bureau under date of April 13th, transferring to it three million yen of one-yen silver coins, in order to have them minted into subsidiary coins. The order was as follows:—

An order as per separate paper having been issued to the Cashier-in-Chief of the Government Treasury, concerning an arrangement to be effected for the purpose of transferring to the Mint three million yen as the fund for minting the amount of subsidiary coins alloted for the 31st fiscal year of Meiji, the Mint shall secure the delivery of the said amount of one-yen silver coins from the Osaka Government Treasury, in accordance with the rules relating to the coining of subsidiary currency.

As per separate estimated account, the delivery of one-yen silver coin shall take place at the rate of 135 yen 96 sen 7 rin per one kwan of pure silver.

The separate paper mentioned above is as follows:—

The method of calculating the price of pure silver:—

1. The average London quotation on silver bars (925 part fine), during the thirty days from March 11th to April 10th, 1898 (31st year of Meiji), was 25.64423d.

According to the above rate, the price of 1 oz. of pure silver would be 27.72349 d.

These figures calculated in terms of Japanese currency, at the rate of 9 yen 76 sen 3 rin per one pound sterling, read as follows:—

2. The price of 1 oz. of pure silver would be 1 yen 12 sen 7.76847 rin.

According to this rate the price of one kwan of pure silver would be 135 yen 96 sen 7 rin.

One ounce mentioned above is equal to 8 momme 2 fün 9.44 rin.

In obedience to successive instructions similar to the above, the material for minting subsidiary silver coins was henceforth purnished to the Mint by delivering over to it the retired one-yen silver coin, in response to its requests,—the entire material for coining the allotted amount of subsidiary coins for the 31st and 32nd fiscal years of Meiji being supplied in this way.

The total amount of one-yen silver coins and the silver bullion represented by the promissory notes of the Mint which were handed over to the Mint in order to be turned into subsidiary silver coins, between the 30th fiscal year and the 32nd fiscal years of Meiji inclusive, was yen 27,567,011.584. For this amount, the Government was paid 26,034,821 yen 56 sen 3 rin of subsidiary silver coins; the loss from the transaction amounting to 1,532,190 yen 2 sen 1 rin.



To average the figures, the yield was at the rate of 94 yen 44 sen 2 rin per 100 silver yen. The same reduced to that for one ounce of English standard silver equals 27 d. 5322 + per ounce. As compared with the actual average quotation on silver in London between April, 1897, and December 1898, which was 26.9176 d., the above transaction was equivalent to our silver being sold at the price higher by 0.6146 d. (per ounce).

Note:—The reason why, in referring to the average London quotation on silver, we took the average quotation of the period extending from April, 1897, to December, 1898, was because the silver bullion represented by the promissory notes of the Mint which was transferred to the Mint included the amount which was delivered over between April and September during 1897 as a fund for the coining of subsidiary coins. As regards the rest the comparison is with the London average quotation covering the period commencing with the month in which the work of retiring one-yen silver coin was started, namely October, 1897, and ending with that in which the undertaking was completed, namely December, 1898.

For reference concerning this section, Table XXXIV is herewith adjoined.

TABLE XXXIV.

AMOUNTS OF THE SILVER YEN SOLD TO THE MINT.

For ounce of English standard silver 0 0 2 5 9 06146 0 7825 7950 3 5126 03128 02155 5601 0.5872 0.0362 0.5449 rates: the figures marked thus London rate, over the rate at Differences between the two Showing the rate at which the silver yea was sold as compared with the rate of the average quotation on silver bars (standard) in London * * * 6800 0739 9.014 2 100 2049 869 1600 Per 100 silver * 25 9099 28 01 50 28 3700 26|2981 27 0817 27 3269 27 4352 27 9000 27 9583 26 9176 25 6399 27 5924 25,0560 26 6180 26 8411 26,8287 26 4006 25|4884 27 7957 standard silver Per 100 silver Fer ounce of Average London quotation during the period in which silver yen was sold 88 897 92897 860 96 107 30 93843 91 289 92 071 099 06 90,508 95 904 95 364 94,649 85,048 87 951 88.877 27 9862 27 9824 27 5322 27 4278 27 9893 27,1415 25^{6944} English standard silver Per onnce of The rate per 100 silver yen and the same reduced to that per ounce of English standard silver 94442 95 798 95 815 14,084 96 010 93 102 00000 000 00 93 003 881138 000001 00000 Per 100 silver C 21072 178,639,782 617.207 982 38,454154 209,237 504 1,532,190 021 169,116,513, 98,746 625 220,457 461 0 the 2,251,258,875 4,790,762 496 5,304,768 529 26,034,821 563 2,411,065,246 611,545,846 997,464 118 748,480,316 2,252,191,706 4,585,935|153 717,640 097 by the Government Amounts received payment for Treasury in 2,350,000 000 5,000,000,000 5,525,221 000 5,203,143 135 650,000,000 27,567,011,584 2,589,705,028 2,421,638 219 997,464118 717.640.097 748,480 316 Amounts of the silver yen 898 (31st Meiji) 1897 (30th Meiji) September October September November December November February March October January Dates August August April June April July May July

+ The rate per 100 silver yen, according to the ratio between the total amount received in payment and the total amount sold. The rate per ounce of English standard silver, according to the rate per 100 silver yen i. e. yen 94-442.

SECTION II.

Disposal by sale of the silver yen in Hongkong, Shanghai, etc.

Toward the end of 1897 (30th year of Meiji), information having been received that in Shanghai and Hongkong the money market was very stringent owing to the scarcity of currency, the Finance Minister, Count Matsukata, decided to take advantage of this circumstance and sell in those places the retired silver yen. Accordingly he issued an order to the Bank of Japan on the 20th of November, 1897, directing that Bank to instruct the Yokohama Specie Bank to sell silver bullion in Shanghai, by way of experiment, to the extent of one hundred thousand yen. The order was framed as follows:—

With the object of securing gold by transporting silver bullion to Shanghai and selling it in that place, there is now forwarded to your bank the amount of silver bullion corresponding to 108,488 yen 84 sen of the promissory notes of the Mint (these notes having now been all exchanged for gold currency)—which amount will make 787 kwan 747 momme 3 fün 3 rin of silver bullion of 900 fineness. Your bank is ordered to instruct the Yokohama Specie Bank to make disposal of the same in accordance with the following rules:—

- 1. The silver bullion corresponding to the promissory notes of the Mint (already exchanged for gold currency) shall be forwarded to your Bank through the Government Treasury at Osaka, and your Bank shall, on receiving it, deliver over the same immediately to the Yokohama Specie Bank, instructing the said bank to forward the same to its branch office at Shanghai; you shall at the same time deliver to the Cashier-in-Chief of the Treasury the receipt in which shall be entered the quantity of the silver bullion received and the corresponding amount of the promissory notes of the Mint.
- 2. The Specie Bank shall exchange the above mentioned silver bullion for the silver *tacl* at the rate of 58,000 grains of pure silver for 111 Shanghai *tacl*, and pay back in Tokyo to the Government the corresponding amount of gold, at the rate of exchange paid by the said bank in buying drafts on Shanghai.
- 3. Two and one half thousandth (2.5/1000) of the taels obtained by thus selling the silver bullion shall be paid to the Specie Bank

for its own commission and for paying the expenses of freight, &c.

4. In case gold is obtained in the future in the same way, by forwarding silver bullion to Shanghai and receiving the Shanghai tael in payment, what will be the best method to follow in sending that gold home? Your bank is ordered to make investigations on the subject and make report.

The result of the foregoing experiment proving satisfactory, it was now decided to continue the process until the total sum of one million *yen* should have been disposed of. On November 26th, 1897, the Finance Minister, Count Matsukata, gave an order to sell two hundred thousand *yen* worth of silver bullion. The order was as follows:—

It being the intention of the Government to ultimately forward to and dispose of in Shanghai about one million yen worth of silver bullion, corresponding to the same amount of the promissory notes of the Mint (now exchanged for gold), your bank will now receive a quantity of silver bullion amounting to 1,473 kwan 402 momme, 5 fün 5 rin of American silver bullion of 900 fineness—corresponding to 202,917 yen 51 sen 8 rin of the promissory notes of the Mint. And you shall instruct the Yokohama Specie Bank to dispose of the same in accordance with the order (secret official) No. 1456 (mentioned above) of November 20th.

Note:—For the price obtained, secure sight drafts on London; if more advantageous, the drafts on this country may be obtained.

Your bank is instructed to investigate and report concerning the rate of exchange for London and this country.

On the 30th of November, 1897, the Finance Minister (Count Matsukata) ordered the Bank of Japan to instruct the Yokohama Specie Bank to send, by way of experiment, 3,000 yen of stamped silver coins to Hongkong and there to buy drafts on London or this country with that amount. The order was as follows:—

By way of experiment, three thousand yen of stamped silver yen shall be now delivered to your bank in order to be forwarded to Hongkong and there changed for drafts on London or this country. And your bank shall instruct the Yokohama Specie Bank to transact this business in accordance with the following rules:—

1. Stamped one-yen silver coin shall be forwarded to your bank through the Government Treasury at Osaka and on the receipt thereof by the Osaka branch of your bank, the same shall at once be handed over to the Specie Bank, so that the latter may ship the same to its branch at Hongkong.

2. The Specie Bank shall purchase in Hongkong drafts on London or this country with the above amount of the stamped silver yen.

3. Expenses incidental to forwarding the above mentioned stamped silver coins and other items of expenditure will be paid by the Government, so that you are ordered to send in the account of such expenses.

Since it has been ascertained that it was more advantageousness to draw bills on London than to do so on this country, the Finance Minister (Count Matsukata) under date of December 3rd made a further consignment of one hundred thousand yen to the Bank of Japan accompanied by the following order:—

One hundred thousand yen of the stamped one yen silver coin will be handed over to your bank, in order to be forwarded to Hongkong and there exchanged for drafts on London. Your bank shall instruct the Yokohama Specie Bank to transact the business connected with the matter in the following manner:—

- 1. Stamped one *yen* silver coins will be handed over to your bank through the Osaka Government Treasury; and the Osaka branch of your bank shall on receiving them immediately deliver the same to the Specie Bank, which shall send them to its branch at Hongkong.
- 2. The Specie Bank shall buy in Hongkong drafts on London, with the above mentioned stamped silver *yen*, and deliver them to the Government.

The London drafts may be of the term of four months.

3. The expenses incidental to forwarding the above mentioned stamped silver *yen* and other items of expenses connected therewith shall be paid by the Government according to the account of the same, presented by the Specie Bank.

While the retired silver *yen* was being disposed of in the way described above, there arose in January, 1898, a necessity for the Government on account of certain financial considera-

tions to get rid of the remaining portion of the same as soon as possible. The Finance Minister of that time, Count Inouye, after making full investigations on the method of disposal, gave an order under date of January 31st to the Bank of Japan, directing that bank to instruct the Yokohama Specie Bank to sell off the silver bullion and the stamped silver yen according to the method laid down in that order. The order was as follows:—

The Bank of Japan is herewith entrusted with the work of disposing of silver bullion and stamped silver *yen* in accordance with the following rules, and your bank shall instruct the Specie Bank to transact the business in accordance therewith.

- 1. With the purpose of getting rid of silver bullion to the amount of about fifteen million *yen* by the month of December, this year, make as many advance contracts as possible.
- 2. The lowest price to be accepted in effecting the above-mentioned sale shall be at the rate of 25 d. per ounce of the London standard silver; but make endeavours to secure higher prices where possible.

The same rate as stated in the present paragraph shall be followed making sales in Shanghai and Hongkong.

- 3. The actual delivery of silver bullion shall be made whenever demanded by the Specie Bank.
- 4. The Specie Bank will be compensated for the expenses of transportation, insurance and other items concerning the disposal of silver bullion and stamped silver yen, at the following rate:—

For London $^{91.5}/_{10,000}$ For Shanghai $^{28.7}/_{10,000}$ For Hongkong $^{28.9}/_{10,000}$

- 5. The amounts of gold received in payment for sales effected in various places shall be paid in to the Government as soon as possible.
- 6. All the risks incidental to transporting and otherwise handling silver bullion and stamped one *yen* silver coin in connection with their disposal shall be borne by the Specie Bank.
- 7. Investigate and report further on the method of selling stamped one-yen coins in Bombay, Singapore, etc.

If the Specie Bank consents to act according to the foregoing rules, it shall send in a statement in acknowledgement thereof.

According to the method and procedure thus sketched silver bullion and stamped one-yen coins were disposed of in Shanghai and Hongkong; the amount actually sold off reaching a sum far exceeding the above-mentioned fifteen million yen. But the order of procedure and the method of transaction followed in the case of the extra amount were the same as given above. After the enforcement of the order prohibiting the circulation of one yen silver as legal currency, there was no longer any necessity for continuing the practice of stamping the silver coins and they were sold in their original state.

Again, here at home the Chartered Bank has made application for buying silver bullion with the purpose of sending it to Shanghai and Hongkong; respecting which the Finance Minister, Count Matsukata, under date of December 4th, 1897, gave the following order to the Bank of Japan:—

The Bank of Japan is hereby ordered to hand over silver bullion to the Specie Bank, in order that the latter may sell it to the Chartered Bank, at the rate of $28\,d$. per ounce of the English standard silver; the amount of silver bullion to be thus delivered to be 400,000 yen, which shall be taken out of the stock of silver bullion corresponding to the promissory notes of the Mint, already exchanged for gold, and which was ordered to be shipped to Shanghai. The Specie Bank shall pay back to the Government for the said amount of silver bullion at the rate of $24\,^3/_8\,d$. for 1 yen gold.

Report shall at once be submitted on the quantity of silver bullion delivered over in compliance with the present order.

Considerable amounts of silver were further sold to the Chartered Bank and Hongkong and Shanghai Banking Corporation; these sales being all effected by means of advance contracts.

The total amount disposed of in different ways mentioned above was altogether 40,786,662 yen 45 sen 8 rin. Of this amount 17,546,288 yen 42 sen 8 rin was sold in Shanghai, which fetched the price of 15,770,718 yen 23 sen 8 rin.

This price being averaged was at the rate of 89 yen 88 sen 1 rin (gold) per 100 silver yen. The rate reduced to that for one ounce of English standard silver equals 26.2025 d. per ounce. The rate compared with the actual average quotation on silver bars (standard) for advance sales in London between October, 1897, and December, 1898,

(the sales having been principally effected by means of advance contracts the comparison is made with the quotation on advance sales in London) was less by 0.8559 d., than 26.5584 d. which was the average quotation in London.

The amount sold in Hongkong was 15,823,000 yen which fetched 14,752,095 yen 10 sen 9 rin.

This price being averaged was at the rate of 93 yen 23 sen 2 rin per 100 silver yen. The rate, reduced to that per ounce of English standard silver, equals 27.1794 d. per ounce. The rate compared with the actual average quotation on silver bars (standard) for advance sales in London, ruling between October, 1897, and December, 1898, (the sales having principally been effected by advance contracts, the comparison is made with the quotation on bullion of advance sales), was higher by 0.6210 d., the average quotation in London being 26.5884 d.

The total amount sold at the request of foreign banks was 7,417,374 yen 3 sen, which fetched 6,785,652 yen 42 sen 6 rin.

The price being averaged was at the rate of 91 yen 48 sen 3 rin per 100 silver yen. The rate, reduced to that per ounce of English standard silver, equals 26.6695 d. per ounce. This rate compared with the actual average quotation on silver bars (standard) for advance sales in London between October, 1897, and December, 1898, (the comparison is made with the quotation on advance sales, the sales above referred to having been principally effected by means of advance contracts), was higher by 0.1111 d., the average quotation in London being 26.5584 d.

Now the grand total of the prices obtained from these various items of sales amounted to 37,308,465 yen 77 sen 3 rin.

The price was on an average at the rate of 91 yen 47 sen 2 rin gold per 100 yen silver. This rate, reduced into that for one ounce of English standard silver, equals 26.6668 d. The rate compared with the actual average quotation on silver bullion for advance sales in London between October, 1897, and December, 1898, (the comparison is made with the quotation on advance sales, as the sales above referred to were effected by means of advance contracts), was higher by 0.1079 d., the average quotation being 26.5584 d.

The above total compared with that of the silver yen retired—40,786,662 yen 45 sen and 8 rin—shows that there was the loss of 3,478,196 yen 68 sen 5 rin. The sales at Shanghai consisting principally of silver bullion were effected in accordance with the quotations ruling in London. On the other hand the sales at Hongkong consisted of one yen silver coins in a perfect state, so that the price obtained was comparatively higher.

Tables XXXV and XXXVI are herewith adjoined for reference concerning this section.

TABLE XXXV.

ACCOUNT THE SILVER YEN SOLD AT SHANGHAI AND HONGKONG AND TO THE FOREIGN BANKS.

				Showing	the rate at which	h the silver yen otation on silver	Showing the rate at which the silver yea was sold, as compared with the rate of the average quotation on silver bars (standard) in London	ared with the rate 1 London	of the
Dates	Amounts of the silver yen actually sold	Amounts received by the Government Treasury in payment for	Losses from the transaction	The rate per 100 silver yen and the same reduced to that per onner of English standard silver	silver yen reduced of English	Average quotation on sil bars (standard) in Lond during the period in which silver yen was so	Average quotation on silver bars (standard) in London during the period in which silver yer was sold	Differences between the two rates: the figures marked thus * show the Arces of the London rate, over the rate at which the actual sale was made	Differences between the two ttes: the figures marked thus show the excess of the condon rate, over the rate at high the actual sale was made
		the amounts sold		Per 100 silver P	Per ounce of English standard silver	Per 100 silver	Per ounce of English standard silver	Per 100 silver	Per ounce of English standard silver
1897 (30th Meiji)	yen	yen	yen	yen	<i>d</i> .	yen 89.574	d. 26 1130	yen 0	a. 0
November			000000	000000	0 281888	90,856	263411	01.	91709
December 1898 (31st Merii)	2,092,068,776	2,022,689,6,9	09,319,097	+00 ar:	20102	0.67 0.0	OCTACE	+	70117
January		1,206,276,922	77,524,962	92/572	27.2785	80.108	260033	Tier	1202
February	2,753,082.215		298,652148	89 156	25 9512	88 650	258438	0.506	0.1474
March	6,971,650 739		771,479.934	88.034	25 9261	86.961	25 3519	1978	0.5755
Anril	5,120,862245		489,976,659	184 06	26 8625	88-151	25 7857	1.980	0.57750
Mav	10,283,997,290		1,027,119 128	90.012	26.2407	808.08	26.0515	0.649	0.1892
June	8,925,408 474		341,460 611	91301	26.6165	28906	26 4375		01790
July.	250,000 000		16,250 000	93: 500	27 2575	91.978	268125		04420
Angust	52,924 000	50,000 000	2,924 000	91 175	27.5418	92 699	07.0540		
September	8.147,749 889	2.988,775.516	158,974 373	94950	27 6803	95.054	110110	*	
October	78,898 000		3,898 000	95,059	27 7120	95 103	27 7250	*	* 00130
November	104,318,686	100,000,000	4,313 686	95 865	27 9470	95096	27 7227	692 0	0 2243
December	4,721,510,260	4,505,266173	216,244 087	95 120	27.817.5	94141	574114	1.57.0	0.37.50
Total	40,786,662 458	37,308,465773	3,478,196,585	1 91 172 1	26 0063	nverage 91 102	26 6663 average 91 102 average 26 5584	0,370	0 1070
			**	3.0 2.0	1 1	41 4. 41	All the second of the All the All the second control of the second of th	and the state of the state of the state of	Characteristics

The rate per 100 silver yen according to the ratio between the total amount received in payment and the total amount sold.

The rate per ounce of English standard silver, according to the rate per 100 silver yen i. e. yen 91-472.

1. The dates in the present table refer to the times when advance contracts were made, so that the figures do not correspond to those at the dates on which the amounts in payment were actually received at the Government Treasury. Notes :-

2. The sales of the silver yea having been exclusively effected by advance contracts, the London quotations referred to are also average quotations for direct sales) quotations on bullion sold by advance contracts (except the rates for December 1898 which give average quotations for direct sales) These remarks apply also to the three following tables.

TABLE XXXVI.

ACCOUNT IN DETAIL OF THE SILVER YEN SOLD AT SHANGHALAND HONGKONG AND TO FOREIGN BANKS. I. ACCOUNT OF THE SALES AT SHANGHAI

						The state of the s	average grounded on start bars isometry in London	London	
	Amounts of the silver yen actually sold	Amounts received by the Government Treasury in payment for	Losses from the transaction	The rate per 100 silver near and the same reduced to that per ounce of Fnglish standard silver	no silver nen ne reduced ce of Ynglish	Average quotation on silver bars (standard) in London during the period in which silver yer was sold	ion on silver) in London period in	influences between the two rates; the figures marked thus # show the excess of the London rate, over the rate at which the actual sale was made	Differences between the two rates: the figures marked thunks show the excess of the London rate, over the rate at chick the actual sale was mad
		the amounts sold		Per 100 silver	Per ounce of English Sandard salver	Per 100 silver	Per ounce of Triglish standard silver	Per 100 silver	Per ounce of Engl sh st undard silver.
1897 (30th Meiji)	yen .	yen	yen	yen	d.	yen	d.	yen	d.
	0	0	0	0	0	89 574	26 1130	0	0
November	0	0	0	0	0	90856	26 8411	0	0
December	784,402 074	742,347 958	42,054116	94,639	27,5896	89 240	26 0156	5 399	1 5740
898 (31st Meiji)		_							
January	683,801,884	639,999,997	43,801 887	93 594	27 2849	89 198	26,0033	4396	1 2816
February	2,494,982215	2,215,384613	279,597,602	88 794	25,8856	88 650	258438	0 144	0.0418
	4,659,308 709	4,120,993 849	538,314,860	88,446	25 7842	86 961	25 3512	1 485	04330
	2,986,158245	2,615,885,586	320,772659	89 075	25 9675	88,451	25,7857	0 624	0 1818
	2,814,225 290,	2,486,122,453,	328,102837	88 341	25 7536	89,863	26 0515	* 1022	* 0 2979
	1,870,187,176	1,224,489 796	145,647,380	89,370	26 0535	189 06	264875	* 1317	* 03840
	0	0	0	0	0	91 973	268125	0	0
	0	0	0	0	0	92,999	27 0240	0	0
September	310,106889	294,897,960	15,208 929	95,096	27,7228	95 034	27 7047	0 062	0 0181
October	0	0	10	0	0	95 108	27,7250	0	0
Tovember	104,313,686	100,000,000	4,313 686	95'865	27.9470	960,96	27 7227	694 0	0 2243
December	1,388,852,260	1,331,096 026	57,756 234	95841	27.9400	94 141	27,4444	1700	0.4956
Total	17.546.988498	15,770,718,938	1,775,570,190	18808	1 96 9095	96 9095 aware 91 109 avence 96 5584	1 5584 9C 5584	1 (%) 1	× 0.2550

† The rate per 100 silver yen according to the ratio between the total amount received in payment and the total amount sold.

† The rate per 100 silver yen is 100 standard silver, according to the rate per 100 silver yen is 100 standard silver.

II. ACCOUNT OF THE SALES AT HONGKONG.

				Showing	Showing the rate at which the silver yen was sold, as compared with the rate of the average quotation on silver bars (standard) in London	the silver yen wa	rate at which the silver yen was sold, as compared with average quotation on silver bars (standard) in London	red with the rate London	or me	
Dates	 o	Amounts received by the Government Treasury in rayment for	Losses from the	The rate per 100 silver yen and the same reduced to that per onnee of English standard silver	no silver yen to reduced ce of English silver	Average quotation on silver bars (standard) in London during the period in which silver you was sold	ion on silver) in London period in on was sold	Differences between the two rates: the figures marked thus *s. show the excess of the I andon rate, over the rate at which the actual sale was made	tween the two es marked th excess of the ver the rate a I sale was mo	us ut ade
	actuanty sond	the amounts sold		Per 100 silver	Per ounce of English standard silver	Per 100 silver	Per ounce of English standard silver	Per 100 silver	Per ounce of Fuglish standard silver	of ver
4000 Je diooth Je 122	nen.	yen	yen	yen	d.	yen	d.	yen	d.	
1897 (80 mege)		0	0	0	0	89 574	26 1130	0	0	
October			0	0	0	90,356	26 3411	0	0	
November	103,000,000	99,907 506	3,092,194	866 96	28 2773	89 240	26 0156	7 758		22617
1898 (31st Meiii)						(GGOOG	G P		105
1	000 000 000	566 976 955	33,723 075	94 379	27.5138	80108	. 26 0055	0.101	7	1 0100
January			19 054 546	92 343	27 0077	88 650	25.8438	3 993		11689
February	,	-	199 048 405	911144	26 5707	86.961	25 8512	4 183		12195
March	1,457,170,000	⊸ હ	169 204 000	97/253	26 8940	88-451	25.7857	3.802		11088
April	2,184,2041000		917 636 968		26 5800	89268	26 0515	1813		0.5285
May	2,469,772,000		180 771 811		26 8923	90.687	26 4875	1 560		81910
June	2,447,751 000	601,606,102,2	0	0	0	91.973	26.8125	0	0	
July	0 0 0 0 0 0 0 0 0 0 0 0	0000000	9 99 1 000	94475	275418	92 699	27.0240	1.76		0.5178
Angust	52,324 000	9 6	148,765 1-11		27 6756	95 084	27 7047	% 0100 *	*	0.0291
September	2,557,645,000		3 808 000		27 7120	96 103	27 7250	* 0011	×	0.0130
October	1 (6,630 000		.,	0	0	95 096	27 7357	0	0	
November	0 000 0 70 000	9 174 170 117	15.8 187 853	95.214	27 7000	91141	11+1-17	* 1103	×	03216
December Testal	15 823,000 000	_	1,070,904 891	1 900 2332	1 27 1791	average 91 102	27 1791 average 91 102 average 26 5584	2.130		0.6210
1000			The rate per 100 silver you according to the ratio between the total amount received in payment and the total amount sold. The rate per ounce of English standard silver, according to the rate per 100 silver you'i.e. you'85.23.	r <i>yen</i> according te Finglish standare	the ratio between	i the total amour	nt received in pay 100 silver yen i.e. g	ment and the to	tal amount se	old.

III. ACCOUNT OF THE SALES TO FORFIGN BANKS.

				Showin	ig the rate at which	h the silver yer rotation on silve	Showing the rate at which the silver you was sold, as compared with the rate of the average quotation on silver bars (sandard) in London	ured with the rate	of the
Dates	Amounts of the sliver yen actually sold	Amounts received by the Government Treasury in payment for	Losses from the transaction	The rate per and the sar to that per om standar	The rate per 100 silver year and the sume reduced to that per owner of English standard silver	Average quot bars (standa during th which silvey	Average quotation on silver bars (standard) in J ondon during the period in which silver yea was sold	Differences by rates: the figur 4 show the c London Fate, c	Differences between the two rates: the figures marked thus * show the excess of the London Fact, over the rate at which the actual sale was made
		the amount sold		Per 100 silver yen	Per onnee of English standard silver	Per 100 silver yen	Per onnee of English standard silver	Per 100 silver yen	Per ounce of English
1897 (30th Meiji)	yen	yen	yen	yen	d.	yen	d.	yen	d.
October	0	0	0	0	0	89,574	26 1130	0	0
November	0	0	0	0	0	90 856	263411	0	0
December	1,204,666702	1,180,434,215	24,232,487	97,988,	28 5659	89 240	26,0156	8,748	2,5503
1898 (31st Meiji)									1
January	0	0	0	0	0	89198	26 0033	0	0
February	0	0	0	0	0	88 650	25 8438	0	0
March	855,172,030	751,055 861	104,116,669	87 825	25 6031	86 961	25 3512	0,864	02519
April	0	0	0	0	0	88 451	25 7857	0	-0
May	5,000,000,000	4,518,918,972	481,081 028	90378	263474	898 88	26 0515	1 015	0,2959
June	107,535 298	101,493878	6,041 420	94382	27,5147	289.06	26 4375	3,695	1,0772
July	250,000,000	233,750 000	16,250,000	93 500	27,2575	91 973	268125	1 527	0 4450
August	0	0	0	0	0	92 699	27 0240	0	_0
September	0	0	0	0	0	95 034	27 7047	0	0
October	0	0	0	0	0	95 103	27 7250	0	0
November	0	0	0	0	0	980 98	27 7227	0	0
, December	0	0	0	0	0	94 141	27 4444	0	0
Total	7,417,374030	6,785,652426	631,721 604	t 91 483	1 26'6695	average 91 102	26 6695 average 91 102 average 26 5584	0 381	0 1111

† The rate per 100 silver yen according to the ratio between the total amount received in payment and the total amount sold.

† The rate per onnce of English standard silver, according to the rate per 100 silver yen i. e. yen 91.483.

SECTION III.

Disposal by being transferred to Formosa, Wei-hai-wei and Korea, and disbursed.

As will be stated in Section II, Chapter XIII, it was decided to nominally enforce the gold standard in Formosa, but in practice to put in circulation the stamped silver yen at current valuation. This fact was publicly notified by Imperial Ordinance No. CCCLXXIV of October, 1897 (30th year of In accordance with this Imperial Ordinance, the stamped silver yen were first shipped on the 12th of October and continued to be thus transferred there from time to time as need arose But when in the month of July, 1898, the exchange of silver yen was stopped, it was decided to put in circulation the silver yen in its original undefaced state in Formosa; and on the 31st of July, this policy was made known by Ordinance No. XIX of the Government of Formosa. Since then, the shipment of stamped silver yen to that island has been stopped and, instead, the silver yen there retired was again put in circulation in its original state.

In November, 1898, there having come from the army of occupation at Wei-hai-wei a request for 50,000 yen in one-yen silver coin, the Government had the stamped silver yen to the amount asked for shipped thither and the practice was repeated as there arose necessity. The shipment of one-yen silver coin to Korea originated with the memorial of the President of the First Bank in August, 1897. By way of experiment, 30,000 of the stamped silver yen were handed over to the First Bank through the Bank of Japan on the 21st of October. The order issued to the Bank of Japan under date of October 21st by the Finance Minister (Count Matsukata), in the above connection, was as follows:—

Concerning the matter referred to in your representation of October 19th of this year in regard to placing the stamped one-yen silver coin in circulation in Korea, it has been decided to hand over 30,000 yen of the same to the First Bank through your Bank, by way of experiment, and you are ordered to instruct the First Bank to transact this business in accordance with the following rules:—

- 1. The stamped one-yen silver coin to be shipped will be delivered to the Bank of Japan by the Osaka Government Treasury, and on the receipt thereof your Bank shall immediately hand over the same to the First Bank to be forwarded to its branch at Jinsen (Chemulpo), Korea.
- 2. The First Bank shall exchange at par value these stamped one-yen silver coins for the undefaced ones in circulation in Korea, and shall send back from time to time to the Osaka Branch of the Bank of Japan the undefaced coins received in exchange.
- 3. The expenses of transportation, insurance, packing and other items of expenditures incidental to transacting the business as provided for in the preceding two paragraphs shall be paid by the Government.

The shipment was subsequently repeated in response to the requests of the First Bank; and the total amount of the retired silver *yen* shipped to Formosa, Wei-hai-wei and Korea in the above-named manner and put in circulation in those places was 6,740,148 *yen*. Out of this amount, the sum of 6,212,973 *yen* went to Formosa, which yielded 5,831,335 *yen* 16 *sen*.

This price was on an average at the rate of 93 yen 85 sen 7 rin per 100 silver yen. The same reduced to English standard silver equals 27.3616 d. per ounce. This rate, compared with the actual average quotation in London between October 1897 and December 1898, was higher by 0.4645 d., the average quotation in London being 26.8971 d.

The amount put in circulation at Wei-hai-wei was 197,175 yen which yielded 195,000 yen.

This price was on an average at the rate of 98 yen 89 sen 7 rin per 100 yen silver; this rate reduced to English standard silver equals 28.8309 d., and compared with the actual average quotation in London between October, 1897, and December, 1898, it was higher by 1.9338 d., the average quotation in London being 26.8971 d.

The amount put in circulation in Korea in exchange for our currency in the way mentioned above was 330,000 yen, which yielded 326,618 yen 35 sen 7 rin.

The price obtained was on an average at the rate of 98 yen 97 sen 5 rin per 100 yen silver; the rate reduced to English standard silver equals 28.8536 d. per ounce; compared with the actual average quotation on silver bars (standard) in London between October, 1897, and December, 1898, the above rate was higher by 1.9565 d., the average quotation in London being 26.8971 d.

The total sum obtained for the different amounts disposed of in ways mentioned above was 6,352,953 yen 51 sen 7 rin.

This price was on an average at the rate of 94 yen 25 sen 5 rin; the rate reduced to English standard silver equals 27.4776 d. per ounce; compared with the actual average quotation on standard silver, ruling in London between October, 1897, and December, 1898, the above rate was higher by 0.5805 d., the average quotation in London being 26.8971 d.

The above total as compared with 6,740,148 yen the figures at which retirement was effected, leaves a balance of 387,194 yen 48 sen 3 rin, the loss sustained by the Government in this transaction.

Tables XXXVII and XXXVIII are herewith adjoined for reference concerning this chapter.

TABLE XXXVII.

ACCOUNT OF THE SILVER YEN DISPOSED OF BY BEING TRANSFERRED TO FORMOSA, WEI-HAI-WEI AND KOREA AND DISBURSED,

		A second characters &		Showing	the rate at which average qu	h the silver yen wo	Sh wing the rate at which the silver yea was sold, as compared with the rate of the average quotation on silver bars (standard) in London	ared with the rate	of the
Dates	Amounts of the silver yen actually sold	by the Government Treasury in payment for	Losses from the transaction	The rate per 100 silver gen and the same reduced to that per ounce of English standard silver	oo silver yen e reduced e of English	Average quotati n on silver bars (standard) in London during the period in which silver yen was sold	ti n on silver d in London period in	Differences be rates: the figure * show the call ondon rate, call which the actual	Differences between the two rates: the figures marked thus * show the excess of the london rate, over the rate at which the actual side was made.
		the amount sold		Per 100 silver yen	Per ounce of English standard silver	Per 100 silver yen	Per ounce of English standard silver	Per 100 silver yen	Per ounce of English standard silver
1897 (30th Meiji)	yen	yen	yen	yen	d.	yen	d.	yen	d.
October	100,000,000	96,400 000	3,600,000	96 400	28 1030	91 289	26 6130	5 111	1 4900
November	545,675 000	527,000 000	18,675,000	96.578	28 1549	92 071	26 8411	4 507	1 3138
December	30,000 000	80,000,000	0	100 000	29 1525	92 029	26 8287	7,971	28288
1898 (31st Meiji)									
January	851,500 000	823,000 0000	28,500,000	96 653,	28 1767	90,560	26 4006	6 098	1 7761
February	350,000 000	341,000 000	9,000,000	97 429	28 4029	768 88	25 9158	8 532	2,4871
March	150,000,000	150,000 000	0	100,000	29 1525	87 431	25 4884	12569	3,6641
April	500,000 000	482,000 000	18,000,000	96 400	28 1030	88 877	25 9099	7 523	2,1931
May	0	0	0	0	0	90 209	26 2981	0	0
June	0	0	0	0	0	92 397	27 3817	0	0
July	100,000,000	96,618357	8,381643	96.618	28 1665	95 738	27,3269	2,880	0,8396
August	2,962,978 000	2,725,935 160	237,037,840	92,000	26 8203	94 109	27 4352	* 2 109	* 0,6149
September	0	0	0	0	0	860 96	28 0150	0	0
October	0	0	0	0	0	95 704	27 9000	0	0
November	0	0	0	0	0	96 304	27 9583	0	0
December	1,150,000 000	1,081,000,000	000 000,69	94 000	27 4033	94 141	27, 1444	* 0141	* 0 0 411
Total	6,740,148 000	6,352,953,517	387,194,483	1 94,255	t 27 4776	27 4776 average 92 264 average	average 26 8971	1 991	0.5805

† The rate per 100 silver yen according to the ratio between the total amount received in payment and the total amount sold. † The rate per ounce of English standard silver, according to the rate per 100 silver yen i. e. yen 94.255.

ACCOUNT IN DETAIL OF THE AMOUNT OF THE SILVER YEN DISPOSED OF BY BEING TRANSFERRED TO FORMOSA, WEI-HAI-WEI AND KOREA AND DISBURSED. TABLE XXXVIII. I. IN FORMOSA.

	two d thus the ale at s made	ice of ish I silver	d.	1,4900	12619	.0	- 1	1/7024	2,1872	0	21931,	0	0	0	0.6149	0	0	0	0.0411	0.4645
ate of the	offerences between the two tests: the figures marked the shown the excess of the ondon rate, over the rates of the actual sale was main the actual sale was man.	Per ounce of English standard silver			9.			0	ಐ		25	_			: <u>.</u> S:				* 11	<u> </u>
d with the ra	Differences between the two rates: the figures marked thus 8 show the excess of the London rate, over the rate at which the actual sale was made	Per too silver	yen	5 111	078 1	0	1	0189	7 503	0	1 5.53	0	0	0	8 5 100 ×	0	0	0	1+10 ×	1 593
old, as compars s (standard) in		Per ounce of Fuglish standard silver	d.	26 6130	268411	26 8287		56 1006	25 9158	25 4884	25,0099	26 2981	27 0817	27 3269	27 1852	28 0150	27 9000	27 9583	111127	ase 26 8971
Showing the rate at which the silver ym was sold, as compared with the rate of the average quotation on silver bars (standard) in London	Average quotation on silver burs (standard) in London during the period in which silver yen was sold	Per 10) silver Pe	yen	91 289	02/071	92,059	1	90,560	88'897	87,431	88.811	90,209	92,897	93 738	91109	860,96	95 704	95 904	91111	27.3616, average 92.261, average 26[897]
he rate at which t average quot	The rate per 100 silver 1900 and the sume reduced to that per onne of English standard silver	Per ounce of Fuglish standard silver	d.	28,1030	28/1030	0	1	28 1030	28 1030	0	28 1030	0	0	0	26 8203	0	0	0	27.4033	27.8616; m
Showingt		Per 100 silver I	yen	96 400	96 400	0		96 400	96,400	0	96 100	0	0	0	92,000	0	0	0	00016	93 857 1
	Losses from the to transaction	Per	yen	3,600,000	18,000,000	0		27,000,000	9,000,000	0	18,000,000	0	0	0	237,037,840	0	0	0	69,000,000	381,637.840 1
	Amounts received by the Government Treasury in payment for	the amounts sold	yen	96,400,000	482,000,000	0		723,000,000	241,000,000	0	482,000,000	0	0	0	2,725,935,160	0	0	0	1,081,000 000	5,881,885 160
	Amounts of the basilver year actually sold		yen	100,000,000	500,000,000	0		750,000,000	250,000,000	0	500,000,000	0	0	0	2,962,978,000	0	0	0	1.150,000,000	6,212,973 000
	Dates		1897 (30th Meiji)	October	November	December	1898 (31st Meiji)	January	February	March	April	Mav	June	vlul.	Angust	Sentember	October	November	December	Total

The rate per 100 silver yea, according to the ratio between the tatol amount received in payment and the total amount sold. The rate per ounce of English standard silver, according to the rate per 100 silver year, i. e. yea 93.837.

II. IN WEI-HAI-WEI.

		Amounto municul			alverage qui	average quotation on silver bars (standard) in London	bus estandard) ir	average quotation on silver bus (standard) in London	
Dates	Amounts of the silver yen actually sold	by the Government Treasury in payment for	Losses from the transaction	The rate per 100 silver near and the same reduced to that per ounce of English standard silver	the per 100 silver near the same reduced per onne of English standard silver	Average quotation on silver bars islandard in London during the period in which silver in it was sold	ion on silver) in London period in	Differences between the two rates: the figures marked thut a submode the control of the London rate, over the rate at which the actual sale was man	Differences between the two rates: the figures manked thus & show the excess of the Landon rate, ever the rate at which the actual side was made
		the amount sold		Per for silver	Per ounce of English standard silver	Per 100 silver	Per ounce of Fuglish standard silver	Per 160 silver yen	Per connec of English standard silver
1897 (30th Meiji)	yen	yen	yen	yen	d.	yen	d.	yen	d.
October	0	0	0	0	0	91 289	26 5130	0	0
November	45,675,000	45,000 000	675 000	98 522	287216	92 071	268411	6 451	1 8805
December	0	0	0	0	0	92 029	26 8287	0	0
1898 (31st Meiji)									
January	101,500 000	100,000,000	1,500 000	98 522	28 7216	90 560	26 4006	7,962	2,3210
February	0	0	0	0	0	88,897	25 9158	0	0
March	50,000 000	20,000,000	0	100 000	29 1525	87 431	25 4884	12,569	3,6641
April	0	0	0	0	0	88 877	25 9099	0	0
May	0	0	0	0	0	90 209	26 2981	0	0
June	0	0	0	0	0	92 897	27 0817	0	0
July	0	0	0	0	0	98 738	27 3269	0	0
August	0	0	0	0	0	601 F6	27 4852	0	0
September	0	0	0	0	0	96,098	28,0150	0	0
October	0	0	0	0	0	95 704	27 9000	0	0
November	0	0	0	0	0	95 904	27 9583	0	0
December	0	.0	0	0	0	94 141	27 4444	0	0
Total	197 175 000	102 000 000	+ 000/2116	10000	01/00/00 +	120000000000000000000000000000000000000	6200021	11000	1 (00)00

The rate per 100 silver yen, according to the ratio between the total amount received in payment and the total amount sold. The rate per ounce of English standard silver, according to the rate per 100 silver you'l. e. yen 98.897. +-++

III. IN KOREA.

,	narked thus ess of the r the rate at the was made	Per ounce of English standard silver	ď.	0	0	2 3238		0	3 2367	8,6641	0	0	0	9688,0	0	0	0	0	0	10565
average quotation on silver bars (standard) in London	Differences between the two rates: the figures marked thus & show the excess of the I ondon rate, over the rate at which the actual sale was made	Per 100 silver yen st	yen	0	0	7,971		0	11 103	12,569	0	0	0	2,880	0	0	0	0	0	111
average quotation on silver bars (standard) in London		Per ounce of English standard silver	d.	26 6130	26 8411	26 8287		26 4006	25,9158	25 4884	25 9099	26 2981	27 0817	27 3269	27 4352	28 0150	27 9000	27 9583	27 4444	170000
ation on silver b	A verage quotation on silver bars (standard) in J ondon during the period in which silver yen was sold	Per 100 silver	yen	91 289	92 071	92 029		90 260	88 897	87 431	88877	607.06	92,897	98 788	94 109	86096	95 704	95 904	94 141	100000
average quot	0 silver yen e reduced e of English silver	Per ounce of English standard silver	d.	0	0	29,1525		0	29 1525	291525	0	0	0	28 1665	0	0	0	0	0	10000000
SHOROR	The rate per 100 silver yen and the same reduced to that per ounce of English standard silver	Per 100 silver	yen	0	0	100 000		0	100,000	100,000	0	0	0	96618	0	0	0	0	0	110000
	Losses from the transaction		yen	0	0	0		0	0	0	0	0	0	3,381 643	0	0	0	0	0	7
	Amounts received by the Government Treasury in payment for	the amounts sold	yen	0	0	30,000,000		0	100,000,000	100,000,000	0	0	0	96,618357	0	0	0	0	0	1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1
	Amounts of the by silver yen actually sold		yen	0	0	80,000,000		0	100,000,000	100,000,000	0	0	0	100,000,000	0	0	0	0	0	
	Dates		1897 (30th Meiji)	October	November	December	1898 (31st Meiji)	January	February	March	April	Mav	June	July	August	September	October	November	December	

The rate per 100 silver yen, according to the ratio between the total amount received in payment and the total amount sold.
 The rate per ounce of English standard silver, according to the rate per 100 silver yen i. e. yen 88.975.

SECTION IV.

The loss sustained by the Government through the sale of retired silver yen and the way in which that loss was made good; the circumstances under which the sale was conducted.

The aggregate total of one yen silver coins withdrawn from circulation and the silver bullion corresponding to the promissory notes of the Mint (also retired), was 75,093,822 yen 4 sen 2 rin, and as stated in the preceding section, the disposal of this whole amount was completed in December, 1898; while the total price obtained from the sale of this whole amount was 69,696,240 yen 85 sen 3 rin. (This price was on an average at the rate of 92 yen 81 sen 2 rin per 100 yen silver; which reduced to the rate per ounce of English standard silver equals 27.0570 d. per ounce; compared with actual average quotation on silver bars on both advance and immediate sales, ruling in London during the period in which the above mentioned sale was effected, was higher by 0.2660 d., the average quotation in London being 26,7910 d.) The transaction thus produced a discrepancy of 5,397,581 yen 18 sen 9 rin; added to this, there were the expenses incidental to the retirement and the sale, amounting to 155,730 yen 63 sen 1 rin in March 31st, 1899, so that the total loss came up to the sum of 5,553,311 yen 82 sen. In order to make good this loss, the sum of 5,651,960 yen 91 sen, being the net profit realized by the Mint Bureau for the 30th and 31st fiscal years of Meiji, was transferred to the Currency Adjustment Fund Special Comptabilité, in accordance with Law No. XVII of March, 1897. (The profits to the Mint Bureau were mainly the profits arising from the minting of subsidiary silver coins,-whose amount for the 30th fiscal year was 2,035,860 yen 82 sen 1 rin, and that for the 31st year, 3,616,100 yen 8 sen 9 rin).

In looking back over the circumstances attending the retirement and disposal of the silver *yen*, we must note the fact that the scarcity of money prevailed throughout the 30th fiscal year (1897) as a result of the sudden expansion of business and industrial enterprises, following the victorious war with China (1894—5); and it being impossible in consequence to

float in the home market the Government bonds issued as a post bellum measure, the Government itself had to buy them by appropriating 14,670,000 yen out of the indemnity money. Coming to the 31st fiscal year (1898), the stringency of the money market yet more increased, so that in order to ameliorate this condition of affairs the Government made a further disbursement of over 36,990,000 yen out of the indemnity money for buying Government bonds, and of over 3,040,000 yen for buying the bonds, to be newly issued, of the Industrial Bank of Japan. Even yet the condition of the market did not allow the floating of a public loan. Under these circumstances, the Government had to make further temporary appropriations out of the indemnity money to the extent of over 70,650,000 yen to cover the expenditures which were to be met by floating Government bonds and of over 15,000,000 yen to meet the deficit in the General Account, owing to the delay in the passage of the law for increased taxation. For these reasons it was apparent that if the retired silver yen were kept idle in the Government Treasury for any length of time, it would become difficult to meet the annual expenditures. Although it was decided to recoin a part of the amount of the retired silver yen into subsidiary silver coins, still there was also an immediate necessity for making proper disposal of the remainder. This was, moreover, at a time when silver quotation in London was depreciated to the level of 23 d. (August 1897). There was thus a peril that the rate might be yet further forced down, if a large amount of silver were sold off just then, and the transaction might have resulted in a loss of ten or even twenty per cent. The situation, therefore, created much anxiety in the minds of men in authority. But toward the winter of 1897. the price of silver rose at one time above 27d., owing to the. tight money market which was produced by the scarcity of currency in Shanghai, Hongkong and their vicinities. in this country, it happened that the harvest of 1897 proving unusually bad, large quantities of foreign rice were imported via Hongkong. The situation offered a good opportunity for selling abroad one-yen silver coins, and with the latter object in view, an order was issued to the Yokohama Specie Bank to

forward to and sell off the retired yen silver in the above named regions, to employ a part of the money obtained in the payment of bills drawn against the imported rice, and to send home the rest in other forms of draft. At the same time here at home, the Hongkong and Shanghai and the Chartered Banks having requested the Government for the sale of silver yen in order to meet the demand for silver in Shanghai and Hongkong, a considerable amount was sold to them. By March of 1898 (31st year of Meiji), silver again showed signs of depreciating, but owing to the out-break of the war between Spain and America and to the policy of the Spanish Government to buy up silver, its price again commenced to rise. Under these circumstances our efforts to sell silver in Shanghai and Hongkong was kept up with increased vigour and the price obtained in payment was sent home either in the form of immediate drafts on Japan or in drafts on London. In Formosa, as will be stated in Chapter XI, the stamped one-yen silver coin now came to be put in circulation, while after the expiration of the period allowed for the exchange of silver yen, the same in its original form was put in circulation; so that a portion of the retired one yen silver coin was forwarded thither and disbursed at current valuation. Other ways of disposal consisted of shipping certain quantities to Korea and there exchanging them for the convertible notes of the Bank of Japan, and of making an attempt to circulate them in Wei-hai-wei, in both cases at the current rate of valuation. In these latter places, the prices obtained were higher than at others, but the demand for these coins never rose to very high figures.

In this manner, within a short period of about one year, by December of 1898 (31st year of Meiji) the disposal of the retired silver yen was entirely completed. The most satisfactory part of the whole transaction was that the disposal of this vast amount of silver, in so short a space of time, not only did not cause any fluctuation in the price of silver abroad, but the rate realized was actually higher than that quoted in the London market; while the loss resulting from the discrepancy between the amount retired and the price realized from its sale was no more than about 7% and that loss

was amply made good by the net profit from the minting of subsidiary silver coins, and thus giving no additional burden whatever to the State.

Tables XXXIX and XL are herewith adjoined for reference concerning the present section:—

TABLE XXXIX.

I. GENERAL ACCOUNT OF THE RETIRED SILVER YEN DISPOSED OF BY SALE.

Total amount of 1-yen silver coins and of silver bullion corresponding to the promissory notes of the Mint retired	yen 75,093,822.042
Items under the above:—	
Amount of the silver yen retired by being exchanged for gold coin between October, 1897, and July, 1898	38,648,297.000
Amount of the silver <i>yen</i> retired by being received in payment of taxes and the other public dues, and then exchanged and retired	
Ditto received in Formosa, and then exchanged and retired	2,962,973.000
Amount of the promissory notes of the Mint exchanged for gold coins	
Ditto retired before October, 1897, for the purpose of coining	
subsidiary silver pieces	3,827,304.202
Total	75,093,822.042
Amount of retired silver yen disposed of by sale	75,093,822.042

II. ACCOUNT IN DETAIL OF THE RETIRED SHAVER YEN ACTUALLY SOLD.

					Showin	Showing the rate at which the silver was sold, as compared with the rate of the average quotation on silver bars (standard) in London	th the silver yen votation on silver	ate at which the silveryer was sold, as compared with average quotation on silver bars (standard) in London	red with the rate	of the
	Sold to	Amounts of the silver yen actually sold	Amounts received by the Government Treasury in payment for	Losses from the transaction	The rate per 100 silver yen and the same reduced to that per ounce of English standard silver	The rate per 100 silver yen and the same reduced that per ounce of English standard silver	Average quotation on silve bars (standard) in London during the period in which silver yen was sold	Average quotation on silver bars (standard) in London during the period in which silver yen was sold	Differences between the tw rates: the figures marked th * show the excess of the London rate, over the rate: which the actual sale was m	Differences between the two rates: the figures marked thus show the excess of the London rate, over the rate at which the actual sale was made
			the amounts sold		Per 100 silver yen	Free ounce of English standard silver	Per 100 silver	Per ounce of English standard silver	Per 100 silver yen	For ounce of English standard silver
		yen	yen	yen	yen	d.	yen	d.	yen	d.
	Mint Bureau	27,567,011584	26,034,821,563	1,532,190 021	04442	27 5322	92,838	269176	2109	06146
	Shanghai	17,546,288,428	15,770,718 238	1,775,570190	89 881	26 2025	91 102	26,5584,	* 1 221	* 0,8559,
	Hongkong	15,823,000,000	14,752,095,109	1,070,904891	98 282	271794	91 102	26 5584	2,130	0.6210
	Foreign Banks	7,417,374'030	6,785,652,426	631,721 604	91 483	26 6695	91,102	26,5584	0.881	0,1111
	Total	40,786,662,458.	37,308,465 773	3,478,196,685	* *		average 91 102	average 26 5584	*	:
-	Formosa	6,212,973 000	5,831,335,160	381,637840	98 857	27 3616	92 264	26 8971	1,593	04645;
	Wei-hai-wei	197,175,000	195,000,000	2,175 000	168,86	28,8309	92,264	26 8971	6 683	1,9338
	Korea	330,000000	326,618357	8,381 643	68.975	28 8536	92 264	268971	6,711	1.9565
-	Total	6,740,118000	6,852,958517	387,194483	:	:	average 92 264	av. ra.c. 26 8971	:	:
22	Grand Total	Grand Total 75,093,822 042	69,696,240,853	5,397,581189	t 92812	1 27 0570	27 0570 average 91 900 average 26 7910	average 26 7910	9160	0.2660

The rate per 100 silver yen, according to the ratio between the total amount received in payment and the total amount sold. The rate per ounce of English standard silver, according to the rate per 100 silver yen i. e. yen 92.812.

XI. TABLE

ACCOUNT IN DETAIL OF THE MONEY RECEIVED IN PAYMENT FOR THE TOTAL AMOUNT DISPOSED OF, EITHER THROUGH SALE OR DISBURSEMENT, OF THE RETIRED SILVER YEN.

935,553.87 {demnity money: the rate of exchange} Price obtained = 1,237,096.026 ne-yen silver coin	•	This exchanged for the Hongkong dollar at the average rate of 997 dollars and 8 cents for 1,000 yen:— Amount of the Hongkong dollar obtained Details of the way the above amount was paid in:—	in drafts on London = £692,500. The average rate of exchange between Hongkong and London being $22d.835$; that between London and Japan being $24d.835$; $24d.499$	in drafts on Japan; The average rate of exchange being Price obtained = 4,794,251.480	in Shanghai = tael 908,608.58 rage rate of exchange between gand Shanghai being tael 78.245; veen Shanghai and Japan being Price obtained = 1,201,459.279	625,824.080 {The average rate of exchange being \$4.25} Price obtained = 600,310.868 36.55 36	
0	Forwarded to and sold in Hongkong	This exchanged for the Hongk and 8 cents for 1,000 yea:— Amount of the Hong Details of the way the above	7,278,257.340 Hongkong and that between 244.499	5,176,481.050 (The average about \$7.98	1,240,499.350 The average r. The average r. Hongkong and that between $\frac{1}{tacl}$ $\frac{1}{16s}$	625,824.080 {The average ra 2. Silver coin	anks d bullion
<u> </u>	Forwarded to an		Items under	the above		3	Sold to foreign banks . Silver coin and bullion

5,831,335.160	4,750,335.160 1,081,000.000 . 195,000.000	326,618.357	5,397,581.189	1,532,190.021 1,070,904.891	631,721,604	381,637.840	3,381.643	5,553,311.820
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٠	Price obtained == Price obtained ==	•	•		•			ilver
	4 4			es .				<u>2</u> .
		•		For being sold to the Mint Bureau in order to be coind into subsidiary pieces For being conveyed to and sold at Honekong				sides the above, Expenses incidental to the business connected with the exchange and sale of the silver yen Total for these items
•	yen}		•	iary	۰		•	sale .
. 6,212,973.000	The amount on hand in Formosa and the stamped yen coins forwarded there. The amount on hand in Hongkong to be exchanged and paid in through accommodation by the indemnity money, and to be forwarded to Formosa.	197,175.000		bisq				- E
973	stam e ex ne in	.000		ns o			٠	हुए ≎ ≎
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ent	The amount on hand is coins forwarded there amount on hand and paid in through money, and to be for at the current rat	rren	/ern	Bur	solo	SOUL.	i-hai rea	sine
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a at	-Wei	t th	the	he N	1 to	oreig d in	E.E.	thic or t
		ea a	l by	to t	eyec	urse	urse	ental to the business Total for these items
Disbursed in Formosa at current valuation Silver coin	tails:— 5,062,973.000 . Coins forwarded there The amount on hand in Formosa and The amount on hand in Hongkong The amount on hand in Hongkong And paid in through accommodation Construction to be forwarded to Formather to Formather Forma	Silver coin	nce:— The loss sustained by the Government	Items under the above:— For being sold to the Mint Bureau in order to For being conveyed to and sold at Honekong	For being conveyed to and sold at Shanghai	For being disbursed in Formosa	For being disbursed in Wei-hai-wei For being disbursed in Korea	dent To
isbursed in Silver coin	ils:— 5,062,973.000 1,150,000.000	Silver coin . Silver coin .	susta	ing	s uns	Si Ling	sun ing	abov
arse	62,8 50,0	ver irsec	OSS	r be	r be	r be	r bei	the anses
Sil	Details:— 5,062 1,150 Disburse	Sil Sil	e:-	For H	HOH	Fo	For	des
I	Det	H	Balance:— The lo	Tel				Besides the above Expenses incid
			B					

	2,035,860.821	3,616,100.089	5,651,960.910	5,553,311.820	98,649.090
			Total for the above two items.		
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nce	rofit accruing to the Mint Bureau on account of seigniorage and other items during the 30th fiscal year of Meiji (1897—1898)	ne.		oss to the Government through disposal and the expenses connected with the exchange and disposal	nee:— ne amount remaining over, which is to be devoted to making good the losses on account of withdrawing from circulation the coins inconvenient for circulation
00 8	it i	Sar		s te	an 3cou
ails	Profit accruing to the Mint Bureau on account of seigniorage and other items during the 30th fiscal year of Meiji (1897—1898)	The same for the 31st fiscal year of Meiji (1898—1899)		Loss to the Government through disposal and the expenses connected with the exchange and disposal	Balance:— The amount remaining over, which is to be devoted to making good the losses on account of withdrawing from circulation the coins inconvenient for circulation .
Details concerning the way the above-mentioned losses were made good:—	,	Ē.J.			Bal

CHAPTER XI.

THE EMPLOYMENT OF FUNDS IN THE GOVERNMENT TREASURY IN CONNECTION WITH THE COINAGE REFORM.

As may be seen from the preceding chapters, the Coinage Reform was effected by applying the gold coins belonging to the Chinese indemnity fund as a gold reserve for the exchange of one yen silver coins. But this does not mean that a farthing out of the indemnity money was consumed for the purpose. To explain: before being applied to various purposes for which the indemnity fund was appropriated according to the Budget estimate, the gold coins belonging to the said indemnity were utilized for the exchange of one yen silver coins; while the amount thus utilized was paid back and the expenditures for which that amount had been appropriated met with by the money realized from the sale of the retired silver yen. In effecting all these transactions funds in the Government Treasury were made use of under different Comptabilité—i. e. the Indemnity Money Special Comptabilité, the Currency Adjustment Fund Special Comptabilité, and the Mint Bureau Manufacture Special Comptabilité—in the following manner:—

- I. The *Indemnity Money Special Comptabilité* shall buy gold bullion with its fund deposited in London, ship the said bullion home and deliver it to the Mint Bureau in order to be coined into money.
- II. The Mint Bureau shall receive gold bullion from the *Indemnity Money Special Comptabilité*, coin it into gold currency and then return the latter to the said *Comptabilité*.
- III. The Indemnity Money Special Comptabilité shall exchange one yen silver coins for the gold currency received from the Mint Bureau, thus effecting their retirement.
- IV. The Indemnity Money Special Comptabilité shall transfer one yen silver coins which have been exchanged for gold currency, to the Coinage Adjustment Fund Special Comptabilité at their face value.
 - V. The Coinage Adjustment Fund Special Comptabilité shall sell at a market price the retired one yen silver coins, received at face value from the Indemnity Money Special Comptabilité.
- VI. The Coinage Adjustment Fund Special Comptabilité shall pay for

the retired one-yen silver coins received from the Indemnity Money Special Comptabilité (paragraph IV) with the money realized from the sale of those retired silver yen.

- VII. The Mint Bureau shall coin subsidiary silver pieces with one yen silver coins bought from the Coinage Adjustment Fund Special Comptabilité, and shall transfer to the same Comptabilité the profits resulting from coining these subsidiary coins and from other items of manufacture.
- VIII. The Coinage Adjustment Fund Special Comptabilité shall make good the loss resulting from balancing the price obtained for the sale of the retired silver yen and the price at which the same were received, with the profits transferred from the Mint Bureau.
 - IX. The Indemnity Money Special Comptabilité shall in the above manner receive from the Coinage Adjustment Fund the payment for the retired silver yen and apply the money thus received in payment toward expenditures determined by the Budget.

Thus, the Indemnity Money Special Comptabilité, while it exchanged one-yen silver coin at its face value, did not suffer the least loss since the said Comptabilité transferred it to the Coinage Adjustment Fund Special Comptabilité at its face value. While the loss, which the Coinage Adjustment Fund suffered by receiving the retired silver yen at the face value and selling the same at current valuation, was made good by the profits realized at the Mint Bureau from coining the subsidiary pieces.

In this manner were accomplished the retirement and disposal of one-yen silver coin, by employing funds in the Government Treasury, while the loss arising from the transactions was made good by the profits of the Mint Bureau. The following are the rules adopted on May 1st, 1897, for transacting the business connected with the Coinage Adjustment Fund Special Comptabilité:—

Methods and Processes of Business concerning the Coinage Adjustment Fund Special Comptabilité.

- Part I.—Concerning the Exchange as well as the receipt and disbursement of one-yen silver coin and of coin unfit for circulation.
- Art. I. The one yen silver coin and the coin unfit for circulation shall be exchanged for the cash on hand at the Government Treasu-

ries in different parts of the country. The amounts thus exchanged shall be put up together and at the convenience of those Treasuries forwarded to the Osaka Government Treasury, which shall render report to the Finance Bureau on the amount of such currencies on hand at the end of each month.

Rules for the method and processes of business connected with the exchange at the Treasuries shall be determined separately.

- Art. II. When it is required to deliver to the Mint Bureau one-yen silver coin and the coin unfit for circulation, as bullion, there shall be sent to the Accountants' Bureau, the Mint Bureau and the Cashier-in-Chief of the Government Treasury, in order to make an inter-fiscus transposition of accounts, so that the required amount of one-yen silver coin and of coin unfit for circulation kept in the Osaka Government Treasury may be handed over to the Mint Bureau, after having been exchanged for money which had been received by the Coinage Adjustment Fund (the amount thus exchanged not to exceed the amount fixed by the estimated annual disbursement of this Fund). The inter-fiscus transposition of accounts shall comprise the following processes:—
 - 1. To pay out the year's manufacture expenditure fund (i.e. of the Mint) and receive the same into the Coinage Adjustment Fund as part of its annual income.
 - 2. To pay out the annual expenditure fund of the Coinage Adjustment Fund and receive in its place into the Fund oneyen silver coins and the coins unfit for circulation.
 - 3. To deliver to the Mint Bureau as bullion one yen silver coins and the coins unfit for circulation, received by the Coinage Adjustment Fund in accordance with the provisions of the foregoing clause, and to obtain the receipt thereof.
- Art. III. In case the delivery of one-yen silver coins or the promissory notes of the Mint which have not yet been exchanged for one yen silver coins is required by the Mint Bureau, in accordance with rules concerning the minting of subsidiary silver coins, the required amount of them shall be obtained from the Bank of Japan in exchange for the convertible notes in possession of the Government Treasury, by having an order sent to the Cashier-in-Chief of the Government Treasury to make the above mentioned exchange, and to have orders sent according to the provisions of Art. II to the Finance Bureau, the Mint Bureau and the Cashier-in-Chief of the Government Treasury.
- Art. IV. In case it is desirable to sell off in the market, as bullion,

one-yen silver coins and the coins unfit for circulation, kept in the Osaka Government Treasury, the same shall be first melted down into bars at the Mint and then sold.

The rules concerning the sale mentioned in the present article shall be determined separately.

- Art. V. Each year when the amount of the manufacture profit of the Mint Bureau has been ascertained, orders shall be sent to the Mint Bureau and the Cashier-in-Chief of the Government Treasury to effect the necessary inter-fiscus transposition in order that the said amount of profits, after paying out the necessary manufacture expenditures, may be received into the Coinage Adjustment Fund.
- Art. VI. In case there be found a balance on the credit side after the annual settlement of the account of the Coinage Adjustment Fund, an order shall be sent to the Cashier-in-Chief of the Government Treasury to add the said balance to the Fund, while in case there be found a balance on the debit side an order shall be sent to have the said amount deducted from the Fund.
 - Part II.—Concerning investigations to be conducted in regard to the condition of one-yen silver coins.
- Art. VII. The amount coined and issued, the net amount exported abroad, the amount recoined or retired, the amount actually in the country, and the amount held by the Bank of Japan as conversion reserve, of one *yen* silver coins, shall be constantly inquired into, and the monthly report concerning them sent in.

In the report, distinction shall be made between silver coins and the promissory notes of the Mint_{\ast}

- Art. VIII. Investigations shall further be conducted from time to time and report rendered on the condition of the circulation of one-yen silver coins both at home and abroad.
 - Part III.—Concerning the estimate, and the settlement of the account, of the Coinage Adjustment Fund.
- Art. IX. The statement of estimates giving in detail the items of incomes and expenditures of the Coinage Adjustment Fund for a given year, with the balance sheet showing the actual receipts and expenditures and the balance between them for the fiscal year before the last, shall be compiled by the 31st day of July of the previous fiscal year; while also the statement of the account settled, giving in detail the items of incomes and

expenditures, with the balance sheet showing the receipts and disbursements and the balance between them for the same year, shall be compiled before the 30th of June of the following fiscal year; and these shall be forwarded severally by the dates mentioned to No. 4 Departmental Office.

Art. X. For maintaining order and accuracy in the accounts of receipts and disbursements of the Coinage Adjustment Fund, the following books shall be kept at the Finance Bureau:—

1. Journal of the Coinage Adjustment Fund for a given fiscal year.

2. Ledger of the Coinage Adjustment Fund for a given fiscal year.

3. The Book giving the Settled Items of Income of the Coinage Adjustment Fund for a given year.

Art. XI. The Journal of the Coinage Adjustment Fund for a given fiscal year is for making entry therein, as per separate paper Form No. 1, of daily receipts and disbursements, under the items of debit and credit, by referring either to the Receipt and Disbursement Report forwarded by the special order of the Finance Minister, or to the similar report forwarded daily by the Government Treasury.

The Ledger of the Coinage Adjustment Fund for a given fiscal year is for making entry therein of items as per Form No. 2 by posting them from the Journal.

The Book containing the settled items of income of the Coinage Adjustment Fund for a given fiscal year is for making entry therein, as per Form No. 3, of the settled items of income when the briefs are issued, after receiving the sanction, notifying the amounts to be paid in.

Art. XII. A Daily Balance Sheet in accordance with the showing of the books as provided for in Art. X shall be compiled and submitted to the Finance Minister as per Form No. 4.

Form No. 4 is as follows:—

Balance Sheet as per Ledger of the Coinage Adjustment Fund for a given fiscal year.

Methods of making entries in Books and the Forms above referred to are here omitted.

The Method and process of the sale referred to in Art. IV were decided upon each time according to necessity, no fixed course having been previously determined.

CHAPTER XII.

EFFECT OF THE COINAGE REFORM UPON THE ECONOMIC CONDITION OF OUR COUNTRY.

From the 1st day of October, 1897, when the Coinage Law (Law No. XVI, of the 30th year of Meiji) went into operation. Japan became a real gold standard country. As to the effects of that reform, it is yet difficult to find any thing very marked, either for good or ill, chiefly owing to the shortness of the timeit being no more than a year and half—that has elapsed since then. There have been, besides, other accidental causes which make it very difficult to form a judgment as to the good or ill effect of the reform, i. e., causes such as the various effects of the war with China, the failure of rice crops, the enforcement of the revised tariff laws &c., &c., which came on one after the other to disturb the economic condition of the country. While it is difficult, therefore, to point out clear and marked results directly traceable to the Coinage Reform, yet I cannot but think that there are unmistakable indications to show that the reform has been decidedly beneficial. In the following sections I will try to show as far as possible the beneficial effects of the reform, (1) on the trade and industry, (2) on the foreign trade, and (3) on the financial condition of the country.

SECTION I.

Effect of the coinage reform on the commerce and industry at home.

Since the adoption of the gold standard, our currency has been freed from constant fluctuations in its exchange rate, to which it was subject before. Owing to this latter fact, moreover, the relation between the claims of the creditor and the liabilities of the debtor became less subject to sudden and unexpected changes; business transactions were made safe; an improvement in credit took place in the community at large; prices became more constant; in a word, the way was now opened for the steady and orderly growth of our commerce and industry.

Leaving out of account in this section the questions concerning the effect of the Coinage Reform on the foreign trade of the country, it can be very clearly seen that since October, 1897, the prices of commodities have kept comparatively even; that while there have been some changes, yet when compared with the sudden and great changes which used to occur formerly, we must say that the fluctuations were remarkably small. Besides, these small changes in the price of commodities can be amply explained by referring to the partial failure of rice crops, to the sudden expansion of industry and then to its as sudden depression, to a stringency in the money market, as well as to some other causes. These changes in the price of commodities were due, therefore, to the natural working of the economic law of supply and demand in the commodities themselves. If we notice the fact, moreover, that the amount of cheques and bills cleared at the clearing houses in Tokyo and Osaka has remarkably increased during these recent months, notwithstanding the fact that during this very time there prevailed much business stagnation everywhere, we cannot but conclude that business transactions on credit have come to prevail more widely and freely than before.

The beneficial result of the Coinage Reform is seen in another direction. Since now that the capitalists of the gold standard countries have become assured that they will no longer be in constant danger of suffering unexpected losses from investments made in this country, on account of fluctuations in the price of silver, they seem to show a growing tendency to make such investments at low rates of interest. This tendency, if encouraged, will doubtless bring about a closer connection between this country and the central money markets of the world—a state of things which I believe we shall be able to see realized, more and more fully, as years go on.

Tables XLI, XLII, XLIII, XLIV, XLV are herewith adjoined for reference concerning this section.

TABLE XLI.

WHOLE-SALE PRICES IN TOWIO SINCE 1893.

FIRST CLASS OF COMMODITIES—RAW MATERIALS.

4	2.215	2.254	2,413	2.075	2.939	3,565		48.5.83	50,625	49.792	51.167	54.500	58.217	
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December	2.247	2,421	2,681	2.873	3,205	0,8890	hamana	45,000	45,000	50,000	50.000	56,000	58,645	1
November Terember	9.229	2.370	2.5.7	2,860	960.8	3,464		45,000	50.000	50,000	55.000	53,000	62.167	1
Ortober	wи 2.190	5.947	1.5.51	2.924	2.924	3,623	-	50,000	55,000	52.000	50,000	55,000	62,333	-
September	9.17d	2,161	2,145	3.012	2.710	8,560	1	50.000	55.000	55.000	55.000	56,000	008.99	1
Aurenst	### 2.111	2,083	0.010	3,048	2,703	3,509	1	52.000	50.000	54.500	60.000	000.09	61.160	1
July	850.5	2.12s	2.183	2,985	2,860	3.195	1	52,000	50,000	50,000	50.000	55.000	55.500	[
Jame	9,058 2,028	2.141	9,396	2.762	2.958	3.500	1	50,000	50,000	48.00)	57.000	56,000	55,500	1
May	mm.	2.262	2,336	3,096	3.077	4.049		45,000	55,000	50,000	50,000	00000	53,500	
April	9° 2.448	9,870	9,398	5.154	3,030	4.024	1	49,000	50.000	48,000	50.000	50,000	55.000	1
March	2.265	2,361	53463	3,030	2,958	5.831	-	47,000	50,000	45,000	45,000	55,000	60,000	[
February	erec.	50.	2.427	8,000	2.860	3,448	1	48,000	50,000	45.000	45,000	48.000	000.00	59.143
January	2.00 2.00 2.00 2.00 2.00 3.00 3.00 3.00	0.000	2,265	2.955	2,882	3.247	3.246	50,000	47.500	47.500	47.000	50.000	50.000	57.000
	Iciji)		·:	, ,)) ("	Veiji	.:		- s	:	, ,	0 44
Date	1893 (26th Me	40.7.2.)	d'82)	(29th	(30th	(31st	899 (32nd	1893 (26th M	(27th	(28th	(29°h	(30th	(31st	.899 (32nd
	1893	1894 (27%	1895 (28%	1896 (29"	1897 (30 th	1893 (31st	1899	1893	1894 (27 th	1895 (28th	1896 (29 th	1897 (304	1898	1899
Items	71	o n 24 (i sāa. uur	ıp əu	ilvin-	5	6	oli jų į		धुर्गेष्ट बहार		(st 19	ď
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Average	yen 3.538	4.054	3.703	3,583	2.997	2.639	{	.139	.138	.145	.163	.167	.155	1	20,200	22,361	21.972	27.065	29,775	30,317	1
December	yen 3.700	3,000	009.8	3.350	2.730	2.650	[137	.137	.151	.164	.160	.144		21.500	23,800	26,980	28,000	29,900	31.287	1
November December	3.700	3,800	3.600	8.550	2.750	2.650	1	.137	.133	.151	,164	.160	.143	[21.400	93,950	26,800	27.200	30,100	31,633	1
October	yen 3.700	8.850	3.600	9,600	2.750	2.650	1	187	.133	151.	.164	.167	.146	en e	20.900	22,650	27,100	27.500	30,300	30,832	[
September	yen 3.700	3.850	3.600	3.620	2.800	2,556	1	181	.138	151	,164	.169	.149	ļ	20,800	55,050	25,700	27.500	30.200	30,050	I
August	yen 3,400	9.950	5.650	3.620	2.900	2.640		.140	.140	151	.164	.172	.155	1	20,600	22,030	21,650	27.900	30,100	29,550	1
July	yen 3,400	4.150	3.650	8.570	2.950	2.600	The same of the sa	.140	.140	.147	.164	.172	.160		20,800	21,900	21,200	27,200	30.200	29,750	I
June	yen 3,400	4.350	3,650	8.570	3,000	2,600		.140	.140	.145	.161	.172	.161	Personal	19,300	21.800	21.000	27.200	006.62	30,350	I
May	3.400	4.350	3.680	3,600	3,000	2.607	1	.138	.140	.142	.161	.168	.161	1	19,700	21,850	24,000	27.200	29,000	31.200	Baymad
April	3,400	4.350	8.700	3.620	3.270	2.627	[.141	.140	.140	.161	.167	.161	1	19,800	22,150	23,750	26,500	29,800	31.200	lavora.
March	yen 3,550	4.350	3.850	3.620	3.270	2.670	Towns.	.140	.140	.138	.163	191,	.161	1	008.61	22,650	23,980	26,100	29.300	29,733	[
February	yen 3,550	3.900	3.900	3.640	3.270	2.685	1	.141	.139	.138	.163	.167	.161		19.200	21.880	24,150	26,080	29,000	29.217	[
January	yen 3.550	3.850	8.950	3.640	3.270	2.730		.141	.136	.138	,164	.167	191	.145	19,800	22.320	24,350	26.400	28,000	29,000	Personal
	eiji)	,,)	("	,,)	(;;	,,)	")	eiji)	33)	0 4	,,)	, ,,	, ,	1,)	(iji)	("	,,)	, ,	("	("	*
Date		1894 (27th	1895 (28th	1896 (29th	1897 (30th	1898 (31st	1899 (82nd	1893 (26th Meiji)	1894 (27 th	1895 (28 th	1896 (29 th	1897 (30 th	1898 (31st	1899 (32nd	1893 (26th Meiji)	1894 (27 th	1895 (28 th	1896 (29 th	1897 (30th	1898 (31st	1899 (32nd
Items	1				lin A 9ain			1	λe,,, ruec	nour	. gar Lym	, pəd)dto(mst8	;				100 Y	eppe Per		

Average	yen 3.425	3,907	2.867	3,855	4.692	4.838		10.100	9.663	10.100	11,008	11,317	11,083	[6.021	7.725	7.298	7.425	8.167	8.508	-
December	yen 3.730	8.970	8.730	4.230	4,800	4.650	1	9.850	0.650	10,400	11.100	11.400	11,000	1	6.250	8.350	7.100	7.600	8.300	8,450	ı
November	yen 3.700	3,870	8.670	4.170	4.880	4.650	1	9.800	9.650	10.400	11,100	11.400	11.000	1	6.200	8,480	7.050	7.450	8,300	8.500	1
October	yen 3.600	3.810	3,690	4.090	4.850	4.573		9.800	9.650	10.400	11.100	11.400	11.000	aurous .	6.250	9.800	7.000	7.300	8,250	8.550	-
September	3.490	3.790	3,690	4.030	4.880	4.317		10,000	9.650	10.400	11.100	11.400	11.000	1	6.200	13,400	6,950	7.350	8,250	8.550	1
August	% 490	8,920	8,680	8.720	4.820	4.282	1	10.000	9.650	10.000	11.100	11.400	11.000	***************************************	5,450	8,500	0.800	7.100	8.300	8.550	1
July	3,410	8.890	9.7.10	8,690	4.960	4.3553	1	10,000	9.650	10.000	11.100	11.300	11,000	-	5.500	6.570	6.870	7.200	8.150	8.550	1
June	yen 3.280	8.870	8.86	8.680	4.960	4.883		10,200	9,650	10,000	11.100	11.300	11,000	1	5.350	6.250	7.050	7.400	8.250	8.550	1
May	3.250	8.940	9,950	8.680	4,800	4.107	1	10,200	9,650	10.000	11.000	11.300	11.000	1	6.200	6.840	7,450	7.420	8.850	8.550	1
April	3,330	4.030	4.000	8.700	4.560	6.000	1	10.200	9.650	0.900	11.000	11,300	11,000	1	6.200	6.300	7.750	7.500	8.300	8.525	-
March .	3,310	4.140	4.160	3.750	4,320	8000.1	1	10,400	9.700	0.000	10.800	11.200	11.600	1	6.200	6.260	7.800	7.580	8.050	8.525	1
Pebruary	yen 3.150	3.870	4.190	3.760	4.260	4.330	1	10.400	9.700	9,900	10.800	11.200	11.200	1	6.250	6.230	7.650	7.650	7.850	8,475	1
January	3,250	8,780	4,060	3,760	4.210	8,416	1	10,400	9.700	9.900	10,800	11.200	11.200	1	6.200	6.220	8,100	7.550	7.650	8.325	
Date	1893 (26th Meiji)	1894 (27th ,,)	1895 (28th ,,)	1896 (29 ^{ch} ,,)	1897 (30 th ,,)	1898 (31st)	1899 (32nd ,,)	1893 (26th Majii)	1894 (27th .,)	1895 (28th)	1896 (29th ,,)	1897 (30th .,)	1898 (31st ",)	1899 (32nd ,,)	1893 (26th Meiji)	1894 (27th ")	1895 (28 th ,,)	1896 (29th ")	1897 (30 th ,,)	1898 (31st ")	1899 (32nd ,,)
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Average	yen 5.383	5.921	5.745	5,550	6.154	6.449		4,102	8,445	3.626	3,999	5.705	5,558		3,867	8,967	4,100	4.446	4.77.9	5,446	[
December	5,900	5.600	5,650	5,750	6.800	6,303	-	3.900	3.566	3,725	4.858	6,505	4.500		4.050	4.100	4.850	4,350	5.850	6.200	1
November December	ym 5.950	5.700	5.600	5.800	6.700	6,368		4,159	3,668	8,754	4.547	6.178	4.500	termore	4.050	3,900	4,450	4.850	5.900	6.152	
October 1	yen 5.600	5.750	5.700	5.700	6.500	6.277	1	4.194	2.944	3,840	8,155	6.046	4.800		3.850	8.750	3,950	4.350	5,800	5.85	1
September	yen 5,600	004.9	5.700	5.550	6.100	6.241	1	4.082	3.766	3,800	4.284	6.930	5,000	1	3.800	3.800	8.900	4.250	4.900	6,560	-
August	yen 5.400	5.950	5.850	5.300	6,100	6.383	1	9.856	3,515	8.760	4.161	6.178	5.500	I	3.750	3.850	3,850	1.250	008.1	5.281	1
July	yen 5.100	6.200	0.000	5,400	0.050	6.494		3,966	3,653	3.667	4.176	5.853	5,500	1	8.700	3.850	3,900	4.250	4.800	5,000	1
June	yen 5.150	000°9	6.050	5.500	6,150	6.580		4.236	3,633	3,867	2.928	5.287	5.625	1	3,650	8.950	8,950	4.550	4.800	5,000	1
May	yen 5,250	6,100	6.150	5.500	6.100	6.622	1	4.136	3.249	3,382	3.972	5,324	5.875	_	3,750	4.000	8.950	4.550	4.300	4,963	1
April	yen 5.300	008.9	5.700	5.450	5.950	6.491		4,475	3,531	3.274	8,829	5.315	000°9		8,950	4.150	3.950	4.550	4.300	5,070	[
March	yen 5.200	6.200	5.550	5.450	5.850	6.502	-	4.129	3,547	3,449	8,571	5.044	6.400		3,950	4.150	4.100	4,600	4.800	5.285	-
February	yen 5.050	5.850	5.450	5.550	5.750	6.484		4.063	2.524	8,619	3,829	4.798	6.500	4.250	8,950	4.050	4.200	4.650	4,300	5,478	1
January February	yen 5.100	5,700	5.500	5.650	5.800	6.637		4.027	3.747	8,369	3,673	4.970	6,500	4.500	3.950	4.050	4.150	4.650	4.300	5,533	5.953
	Meiji)	,)	, (,,	, ,	, ,	("	")	Meiji)	"			,,		, ,	Meiji)) ("	,,)			")) ("
Date	1893 (26th Meij	894 (27th	1895 (28th	896 (29th	408) 7081	1898 (31st	1899 (32nd	1893 (26th Mei)	1894 (27th	1895 (28 th	1896 (29 th	1897 (30th	1898 (31st	.899 (32nd	.893 (26th Meij	.894 (27 th	.895 (28th	1896 (29 th	4108) 768.	.898 (31st	1899 (32nd
Items		Suin	intai en de	-	jo uv	ny st oue			(280 p us pe	Suu	indu Than				q əuc	Der c	lity,	_	asai 	

- Ste	250	6.7	22	200	20	121		7,118	6.820	6.544	7.285	7.095	1.172		949	902	138	121	50	19	
Average	yen 61.250	65.167	1.33	88,883	103,750	116,821			6.8	6.5	7.2	7.0	1:		13,576	14,005	13.685	19.851	19,050	18,119	-
December	yen 63,500	71,000	80,000	000,86	110,000	109,160	1	6.667	6.667	8.833	6.896	7.143	7.143	į	14.550	13,680	17.290	20.000	19.260	16.953	
November December	yen 63,500	7,1,000	80,000	08,000	105,000	107,567		6,667	7.667	7.691	7.143	7,474	1.215	[14,680	13.790	14.410	20.780	19,260	17.321	-
October	yen 63.500	70,000	20,000	000,000	105,000	112,190	1	6.896	6.667	6.250	6.896	7.474	0000	l	14.290	13,680	13,560	21,050	19.280	17.567	1
September	yen 63,500	70,000	80,000	000,000	105,000	111,600	1	6.896	6.667	6.250	6.667	6.896	1.180	į	13,680	13,680	12.800	20.250	19.280	16,867	I
Angust	yen G3,500	000'02	78,000	000'06	105,000	115,500		7.148	6.896	6,250	7.143	6.896	0.000	1	13,450	13,680	12.800	19.510	19,510	17.980	1
July	yen 63,500	000'89	78,000	000.00	105,000	116,700	1	7.143	6.896	6.250	7.143	6.896	7.695	1	13,330	13,450	12,800	18.820	18,820	18,141	[
June	yen (55,000)	0.0003.0	78,000	85,000	105,000	120,000	1	7.143	6.896	6.250	7,143	6.896	7.69%	I	13,450	14.290	13.220	17,780	18,610	18.395	1
May	yea 65,000	000'89	76,000	85,000	105,000	122,667		7.691	6.896	6.250	7.143	968*9	7.6942	-	13.220	14.410	13,330	18,610	18,610	18,713	
April	yen 65,000	61,000	76,000	85,000	100,000	120,500	1	7.691	6.896	6.250	7.143	7.143	1-		13.120	14.410	13,350	19.280	18,820	18,791	1
March	yes 65,000	00010	76,000	85,000	100,000	128,750	1	7.691	6.896	6.250	7.474	7.143	7.407		18.120	14,410	13,450	20,000	18.820	18,710	1
February	yen 65,000	61,000	76,000	85,000	100,000	120.250	1	6,896	6.896	6,250	7,691	7.143	1.101.1	7.246	13,010	14.290	13,450	20.520	18,820	18.710	-
January 1	yen 65,000	000719	76,000	85,000	100,000	119,000	112.908	6.896	6.896	6.250	8,332	7,143	7.407	7.143	13,010	14.290	18,680	21.620_{1}	19.510	19.280	16,099
	(iiji)	,,)		,,)	·:	11)) ("	(ilia)	,,	77)	, "	("	, ,	,)	feiji)	,,)	. (,,)	, ,	,,)	77)
Date	1893 (26th Med	1894 (27th	1895 (28 th	1896 (29 th	1897 (30 th	1898 (31st	1899 (32nd	1893 (26th Meiji)	1894 (27 th	1895 (28 th	1896 (29 th	1897 (30th	1898 (31st	1899 (32nd	1893 (26th A	1894 (27 th	1895 (28th	1896 (29th	$1897 (30^{\rm th})$	1898 (31st	1899 (32nd
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Average	yen 3.649	4.617	4.418	4.173	4,651	1.17.1		1,880	1.676	1.527	1,874	2,491	2.590				3.3.75	8.834	8,883	9.654	11.97.7	14,799	[
December	yen 3,900	4.580	4.380	4.250	4.610	4.380		1.760	1.430	1.600	2,460	2.500	2,589	protection			7.990	009'6	8.970	10.000	13.760	9.814	1
November December	yen 3.920	4.390	4.470	4.290	4.630	4.990		1.780	1,490	1.570	2,000	2.600	2.601	- September 1			8.1101	10.120	9.100	10.480	13,910	12,130	1
October	yen 3.940	4.300	4.590	4.230	4.670	4.847	[1.780	1.550	1,600	1.950	2.580	2.613	ĺ	.		8.150	9,680	9.310	10,800	038.81	13.0	I
September	yen 4.040	4.330	4.530	4.230	4.660	4.480		1.800	1.680	1.570	1.860	2,500	2,604		CESSIT		0022	9,350	9,340	10.210	12.810	15.151	1
August	yen 4,040	4.580	4.540	4.210	4.660	4.733		1.950	1.720	1.510	1,820	2.580	2,597	1	OF NE		087:1	9,170	9.510	9,650	12,160	16,873	-
July	yen 3,540	4.570	4.200	4.080	4.720	4.975		1.880	1.700	1,450	1.820	2.630	2.602	-	Trolles		7.940	9.210	8,810	9,620	19,090	16,500	[
June	yen 3,360	4.500	4.090	4.060	4.870	4.856		1.980	1.680	1.520	1.780	2,500	2,563	1	FES—AB		7.000	8,380	8,470	9.270	11.770	16,168	
May	yen 3,370	4.590	4.170	4.150	5.100	4.458	[1.980	1.720	1.600	1,700	2,500	2.527	1	MODITE		6,840	8,410	8,850	9.240	11,380	16,767	-
April	yen 3,350		4.330	3,960	4.750	4.521	[1.940	1.780	1,550	1.780	2.350	2.579	-	CLASS OF COMMODITIES—ARTICLES OF NECESSITY		6.810	8,290	8.780	9.500	098'01	16,808	-
March	yen 3,390	4.750	4.490	4.110	4.530	4.589		1.950 [1.780	1.500	1.760	2,160	2.608		O.I. A.O.	Ciciano	7.080	8,130	8,670	008.6	10,600	15,213	[
February	yen 3,450	4.160	4.620	4.240	4.330	4.637	4.393	1.950	1.800	1.400	1.840	2,540	2.632	2.528	SECOND		086.9	7.780	8,490	9,250	10,350	14,626	-
January	yen 3,490	4,030	4.600	4.260	4.280	4,663	4.899	1.860	1.780	1,450	1.720	2.460	2.564	2,562	T.	2	6.870	7.560	8,300	9.150	10,170	13,867	-
Date	1893 (26th Meiji)	1894 (27th ,,)	1895 (28th ,,)	1896 (29 th ,,)	1897 (30th ",)	1898 (31st ")	1899 (32nd ,,)	1893 (26th Meiji)	1894 (27th n)	_	1896 (29 th ,,)	1897 (30th ",)	1898 (31st ,,)	1899 (32nd ,,)	1		1893 (26th Meiji)	1894 (27th ,,)		1896 (29th ")	1897 (20 th ,,)	1898 (31st ,,)	1899 (39nd
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Average	yen 1.672	1.761	2.190	2.240	2.094	2.052	-	1.730	1.597	1.790	2.269	2,365	3,095		1.128	1.124	1.099	1.201	1.278		
	yen 1.870	1,756	2,465	5.250	2.080	2,158		1.587	1,612	1,886	2.303	2.800	3.120		1.136	1.053	1.266	1.235	1,492	-	
-	yen 1.675	1.780	2.190	5.83.6	2,090	2,178		1.666	1,612	1,886	2.303	9.500	3.000	1	1.124	1,064	1,351	1,333	1.515	1	1
	yen 1,650	1.765	2,030	2,260	2.150	2.160	-	1,6666	1.612	1.886	2,308	2,350	3.100		1.136	1,111	1,190	1.316	1.515	1.319	
September	yen 1.670	1.775	2,050	2.185	080.1	2.061	-	1,666	1.612	1.886	2.303	2.300	3.100	1	1.163	1.124	1.136	1.282	1,492	1.297	-
August	1.700	1.755	2,145	2,165	2,065	2.027	I	1.666	1.612	1.886	2.303	2,300	9.100	1	1.163	1.099	1.075	1.250	1.429	1.246	1
July	yen 1,680	1.740	2.810	0853	2,050	2.032	1	1.18.1	1.587	1.886	2,303	9.550	3.200	1	1.111	1,099	1.031	1.149	1.370	1.229	1
June	yen 1,620	1.715	2,400	2.285	2,025	2.035	-	1:1	1.587	1.694	2,303	9.300	6.933	1	1.111	1,111	1.020	1.111	1,870	1,269	1
May	yen 1.620	1.740	2.580	9.900	520.2	2.042	1	1.181.1	1.587	1.694	9.999	2.300	3,165	1	1.111	1.136	1.000	1.124	1.389	1,328	1
April	1.580	1.760	2,480	5.200	2,060	2,032	1	1,787	1.587	1.694	0.000	9.300	3.182	[1.111	1.149	1.020	1.124	1.316	1,346	1
March	yen 1.630	1.780	2.015	5.200	2,060	2.005	1	1.78.1	1.587	1.694	0.000	2,300	60.000	-	1.111	1.149	1.031	1.136	1.266	1.282	[
February	1.670	1.780	1.830	9.940	9.230	2.013	2.338	1.18.1	1.587	1.694	00000	2,300	2.857	1	1.124	1.136	1.031	1,149	1.190	1.282	
January	yen 1.690	1.830	1.840	2,390	2.215	2.031	2.153	1.787	1.587	1.694	6,65.5	2.300	2,857	2.940	1.136	1.136	1.042	1.205	1.190	1.379	1
Date	1893 (26th Meiji)	1894 (27 th ,,)	1895 (28th ,,)	1896 (29th ,,)	1897 (30th ,,)	1898 (31st ,,)	1899 (82nd ,,)	1893 (26th Meiji)	1894 (27th ,,)	1895 (28th ,,)	1896 (29th ,,)	1897 (30th ,,)	1898 (31st ")	1899 (32nd ,,)	1893 (26th Meiji)	1894 (27th ,,)	1895 (28th ,,)	1896 (29 th ,,)	1897 (30th ,,)	1898 (31st ,,)	1899 (32nd ,,)
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Average	1.221	1.029	1.075	1.758	2.046	2.544]	£-1.	£06.	.300	.530	.756	196.	-	1.630	1.6 53	1.895	2.070	2,360	2.425	Personal
December	1,000	1.400	1.350	2.350	3.200	1,318	,	201	200	.272	069°	.758	86::	ļ	1.589	1.5	2.128	2,083	2,633.2	2,450	- I
November December	yen 1.000	1,400	1,100	2,350	3.100	2.667	1	9553	61-101	.273	.781	.769	.115	1	1,539	1.923	2.000	2.083	9,689	2.268	1
	yen 1,000	1,250	1.100	2,250	2.800	3.377	l	1961	265	,417	.741	.800	.508]	1.539	1.8	1.886	2.083	2.682	2.268	Plante
September October	yen 1.250	1,200	1.200	2.200	2.500	3,160		263	.250	.854	.625	069*	Sec	Version	1.539	1.754	x x:	2,083	2,632	2.174	1
August	yen 1,250	1,000	1.200	2,000	2.100	2,800	Personal	.281	.240	.388	.556	069°	3.55	- Comment	1.539	1.667	1.751	2.000	2.281	2.174	
July	yen 1.450	.950	1,000	1.700	2.000	2.600	gamma-	.276	252	.323	.521	069°	.621	J	1.539	1,667	1.7.51	5,000	5000	2,165	ap
June	yen 1,350	850	.950	1.500	1.600	2.525	1	.289	.265	.163	.465	.658	.565		1,539	1,539	1.751	2,000	000000	2.174	I
May	yen 1,350	.750	.950	1.350	1.600	2,400	1 ,	.282	.284	.260	457	.870	.6.48		1.667	1.470	1.818	2,000	90000	2.281	.1
April	yen 1.400	.850	1,050	1,350	1.500	2.375		172.	.272.	.272	.441	.952		I	1,818	1.470	1.818	2.128	2,700	2.632	1
March	yen 1.250	.850	1,000	1.350	1.300	2,475		.271	.267	.265	.410	8883	.752	-	1.818	1,470	2.041	2.128	2,083	8.070	
February	yen 1.200	006*	1,000	1.350	1.350	2.500	1	.271	.262	.258	.395	.667	1.05	.421	1,818	1.470	2,041	2.128	2.083	2.857	
January February	1.150	.950	1.000	1,350	1.500	2.325	1.800	:303	.256	.250	.272	069*	.720	.417	1.667	1.589	1.923	2.128	2.083	2.538	2,430
Date	1893 (26th Meiji)	1894 (27 th ,,)	1895 (28th ,,)	1896 (29 th ,,)	1897 (30th ")	1898 (31st ,,)	1899 (32nd ,,)	1893 (26th Meiji)	1894 (27th ")	1895 (28 th ,,)	1896 (29th ")	1897 (30 th ,,)	1898 (31st ,,)	1899 (32nd ,,)	1893 (26th Meiji)	1894 (27th ,,)	1895 (28 th ,,)	1896 (29th ,,)	1897 (30 th ,,)	1898 (31st ,,)	1899 (32nd ,,)
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Average	yen .234	.224	.254	.308	.346	.321		1.376	1.576	1.673	1.839	1.932	2.293	1	4.551	5.308	4.444	5.410	6.832	7.599	
December	yen .233	.250	:303	35.55	.870	.324		1,389	1,613	1,613	1.754	2.000	1.869	Î	4.762	4.144	4.878	6.250	8.696	5.297	1
November December	yen .233	.250	.303		.870	.814	I	1,470	1.724	1.729	1.786	1.980	2,410	[4.545	5,000	4.878	6.061	9.091	6.485	1
October	yen238	.250	.278	078.	048"	.818	1	1.531	1,852	1.923	1.96.1	1.961	2.410]	4.167	5.000	4.167	5.263	5.556	7.268	[
September	yen .238	.217	.268	90	.345	.294	1	1.470	1.876	1.901	1.980	1.980	2.439	1	4.167	5.455	4.255	5.263	5.556	7.194	
August S	yen .233	.217	.250	:00:	.345	.294	1	1.422	1.754	1.808	1.961	2.141	2.364	1	4.162	6.061	4.545	5.556	6,061	7.299	1
July	yen 233	.217	.227	2821	.845	.279	-	1,326	1.569	1.631	1.988	2.070	2.319	-	4.762	6,061	4.762	5.882	6,667	7.100	1
June	yen .222	.217	.227	- 5.5. 5.5.	.345	.292	1	1,316	1,429	1.492	1.876	2,000	2,364		4.762	5,455	2. to the second	5.263	299.9	7.385	
Muy	yen .222	.217	.238		.345	.845	1	1,319	1,429	1.566	1.724	1.961	2.421	1	4.545	5.263	4.000	5.128	7.144	8.244	1
April	yen .233	.217	.238	50852.	.845	.370	1	1,316	1.449	1.600	1.724	1.802	2.469	1	4.765	5.263	4.255	5.128	6.897	8,584]
March	yen .233	.208	.238	085	.828	297	1	1.307	1,429	1.618	1.739	1.754	2.300	[5.263	5.556	1	5.128	7.144	8.865	ı
February	yen	.208	.238	5825	.828	60	1	1.316	1,298	1,618	1.795	1,754	2.105	1	4.545	5.263	4.414	2.000	6.250	8.772	5.263
January]	yen .263	.222	.250	:308	.828	,354	.323	1,325	1.389	1.587	1.779	1.786	2.041	1.843	4.167	15.45 E.S.18	4.348	5.000	6.250	8.696	5.028
Date	1893 (26th Meiji)	1894 (27th ,,)	1895 (28 th ,,)	1896 (29th ,,)	1897 (30 th ,,)	1898 (31st ,,)	1899 (32nd ,,)	1893 (26th Meiji)	1894 (27th ,,)	1895 (28 th ,,)	1896 (29 th ,,)	1897 (30 th ,,)	1898 (31st ,,)	1899 (32nd ,,)	1893 (26th Meiji)	1894 (27th ,,)	1895 (28th ,,)	1896 (29th ,,)	1897 (30th ")	1898 (31st ",)	1899 (32nd ,,)
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Аувлайс	yen 6.988	8.153	7.190	6,100	8.267	11.798	1	1.543	1.508	1.117	1.598	8055	S95.5	1	7.863	7.700	7,013	 888.	9.018	8,604	I
Досешьег	yen 7.900	7.140	0.680	6.200	9.300	10.014	1	1.500	1.500	1.450	1.850	0.850	5,000	1	7.744	7.744	7.324	0.000	8/2.0	8,966	-
November	yen 7.900		7.100	6.100	0.000	10.824	1	1.550	1,500	1.150	1.830	2,350	5.036	1	7.744	7.872	7.264	9,300	9,408	8,795	
1	yen 7.500		7.100	6.200	9.000	12.886	J	1.570	1.500	1.480	1.780	2,350	2.075	1	7.808	8,064	7,040	9,072	9, 11.8	8,632	Without
September	yen 7.550	9.250	7.000	5.850	0.000	13,533	1	1,600	1.500	1.180	1.600	5.300	121.2	[7.904	7.808	6.800	8,008	9, 108	8.750	
1	yen 7.400	9.250	7.600	6.000	0.000	13,920	1	1,600	1,500	1.470	1.600	9.250	2.201		8,107	7,600	008°9	8,100	00076	8,551	tonations
July	yen 7.400	8.300	7.250	6.000	8.500	12.963	1	1,600	1.500	1,450	1.550	2.250	1.284	I	8,032	7.664	6,800	7.696	9,120	8.793	demonstrated and the second
June	yen 6.900	8,100	7.250	5.900	8.300	11.550	1	1.570	1.500	1.400	1.550	2.250	2.511	1	7.792	7.936	008*9	7.120	8,880	2.576	- Francisco
May	yen 6.650	8,000	7.500	0.000	9.000	11,913	Bound	1,550	1,550	1.400	1.530	2,300	2.560	1	7.792	7.664	6,928	7.072	8.736	8,159	Para de la companya d
April	yen 6.450	8.000	7.500	6.100	7.700	12,400	Washington .	1,500	1,550	1.430	1.500	2.300	2,376	1	7.900	7.824	6.928	7.072	8.752	8,164]
March	yen 6,300 t	8,100	7.100	6.150	7.400	11.075	- Georgia	1.450	1.500	1.470	1.470	2.250	2,325	-	7,904	7.504	7,008	7,072	8,768	8.296	
February	yen 6.000	8,100	7.100	6.300	0.600	10.500	1	1,480	1.500	1.450	1,470	2.200	2.350	1	8.000	7.328	7,136	7.072	8.576	8,358	-
January	yen 5.900	7.900	7.100	6,400	6,400	10,000	10,562	1,550	1.500	1.450	1,450	1,950	2.384	2.000	7.728	7,391	7.328	7.072	8.672	8,629	8,745
Date	1893 (26th Meiji)	1894 (27 th ,,)	1895 (28 th ,,)	1896 (29 th ,,)	1897 (30 th ")	1898 (31st ",)	1899 (32nd ,,)	1893 (26th Meiji)	1894 (27 th ,,)	1895 (25 th ,,)	1896 (29 th ,,)	1897 (30 th ,,)	1898 (31st ",)	1899 (82nd ,,)	1893 (26 th Meiji)	1894 (27 th ,,)	1895 (28 th ,,)	1896 (29th ",)	1897 (30th ")	1898 (31st ",)	1899 (82nd ,,)
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age	1.801	1.878	1.885	1.732	1.921	2.085	,	12.408	10,983	9,483	10.042	12.625	16,823		.670	.670	.670	.795	.847	.825	
<	60	1.	2			ci ci															
December	1,850	1.850	1.800	1,780	5,000	2.074		12,500	12,000	10,700	0.13.80	14,900	14.577	1	.670	.670	.670	.840	.930	.820	
Nevember December	1,850	1.820	1,820	1,750	1.950	2.077	1	12,000	10,700	10.700	11.800	14,800	16,103		049°	.670	049*	.820	.930	.820	
October N	1,820	1.820	1.550	1.700	1.950	2.097	ı	12,500	10,200	9.700	11,500	14,500	17.506		.670	.670	.670	.820	086*	.820	1
Xoptember	1,800	1.850	1,850	1.700	1.900	2.063		13,000	10,200	9,500	0.800	14.500	19,143		.670	670	.670	.820	.930	.820	1
Angust	1.500	1.950	006.1	1,650	006.1	2.041	washing and a second	12,700	10.200	9,500	9,600	13,800	18,150	[.670	029	.670	.780	.800	.820	
July	1.850	1.900	1.900	1.650	5,000	2.034	1	12,500	10,200	x,x00	9,500	13,000	18,365		.670	.670	049.	.780	.800	.820	1
June	1,850	1.950	2,000	1,700	2,000	2.025	1	12,500	10,500	8.700	8,600	12,200	18.260		.670	.670	029*	.780	.800	.820	manuscription of the state of t
May	088.1	2.000	2,100	1.800	2,000	2,170	1	12.600	10,800	8,700	8.800	11.500	17.017		049*	.670	.670	.780	.800	.820	
April	1.730	1.840	1,850	1.700	1.800	2.143		12,600	10,000	8,500	0000	10,800	15,660		.670	.670	.670	.780	.800	.820	
— March	1.720	1,840	0.83	1.750	1.850	2.148]	12,000	12,000	9,500	0.500	10.500	16,175	1	049*	.670	.670	.780	.800	.840	1
 February	wen 1.720	1.860	1.850	1.800	1.850	2.097	1	12,000	12,500	9,500	0.000,8	10.500	15,650		.670	.670	.670	.780	.820	.840	
	you 1.730		1.850	1.800	1.850	2.048	2.087	12,000	12.500	10.000	10.700	10.700	15.267	15,635	.670	.670	029°	.780	.820	.840	.820
1	0.6			,,)) ("	.,)	feijin	, ,		-		,,),	0 "	feiji)	33					,,
Date	——————————————————————————————————————	1894 (27th	1895 (28 th	1896 (29 th	1897 (30 th	1898 (31st	1899 (32nd	1893 (20th M	1894 (27 th	1895 (28th	1896 (29th	1897 (30th	1898 (31st	1899 (32nd	1893 (26 th M	1894 (27 th	1895 (28 th	1896 (29 th	1897 (30 th	1898 (31st	1899 (32nd
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Average	- yen ,263	.269	6.10.	.294	.295	.275	1	259,083	300.000	288,167	288.917	205,007	202,319	1	.343	058.	.367	399	.405	.883	1
December	yen .270	.260	999	.294	.274	.267	1	280,000	296,000	257.000	285.000	300,000	000,008	1	305	0.00%	.420	.390	.363	.362	1
November December	yen .267	.260	006:	.294	.286	.270	1	280,000	296,000	285,000	585,000	300,000	299,000	[.856	9000	.410	768.	8,00	.872	[
October	yen, 267	. 263	31	.299	.294	.267		280.000	296,000	280,000	989,000	301,000	301,000	1	.356	3. C.	.450	.413	.405	:885	1
September	yen .263	.267	£75.	299	299	.275		980,000	994,000	980,000	282,000	305,000	000,000	1	.348	0000	.870	.460	.458	.381	[
August	yen .260	.267	.267	.294	808	.271	To the same of the	270,000	997.000	280,000	282,000	305,000	300,667	-	.852	3	.854	.425	.450	.387	Į
July	yen .260	.267	.267	.290	.318	.270		259.000	800,000	980,000	985,000	305,000	300,290	ı	.340	Gran.	.848	.403	.450	395	1
June	yen .250	.267	2001	.290	.294	.270	[250,000	000.108	275.000	284,000	302,000	807.170	-	8888	12	.350	068*	.418	.394	I
May	yen .253	.274	.270	.294	.290	.276	[940,000	305,000	275,000	285,000	299,000	305,000		-088	2	.348	.385	.410	.391	1
April	yen .260	.278	.267	.290	.294	.280	1	240,000	910,000	281,000	285,000	288,000	305,000	1	.326	018	8888	285	80000	.381	1
March	yen .263	.281	267	.290	.294	.281	-	240,000	312,000	288,000	986,000	278,000	304,000	1	.330	20°	.845	.375	3000	188	1
February	yen .267	.278	.267	.299	.294	.286	-	243,000	000,003	250,000	286,000	280,000	304.000	312,000	.992	3.5 2.1	.348	.370	.875	80 eg.	. 3553
January	yen .270	.270	.260	.299	.290	.281	.267	247,000	208,000	297,000	286,000	285,000	301.700	304,800	.346	2965	8358	.400	068.	.380	.352
	feiji)	")	,,)	("	,,)	97)	,)	(riji))	,)	- :	,,)	("	")	eiji)	, , ,	,,)),),	")	93)	,)
Date	1893 (26 th Mei	1894 (27 th	1895 (28th	1896 (29 th	1897 (30 th	1898 (31st	1899 (32nd	1893 (26th Meiji)	1894 (27th	1895 (28th	1896 (29 th	1897 (30th	1898 (31st	1899 (32nd	1693 (26th Meiji)	1894 (27th	1895 (28th	1896 (29 th	1897 (30 th	1898 (31st	1899 (32nd
Items	* 1)938i7		idt ,e	otto per			unz		ittira od ba						KUW.	ltole o, Mi an	itnə5 3 1 19	I 18 9 Q	Made	



Average	yen .244	.221	.253	.295	.273	.269		2.268	2.185	2,708	2.445	2.558	12.1.1	-		147,000	157.900	174,725	206,917	243,477	281,114	1
December	yen .265	.210	.330	.280	.270	204	1	2.150	2.330	2.630	2.280	2.730	2,598	ļ		155,000	180,000	190,000	228.750	2,0,000	288.750	1
October November December	yen .265	.210	.880	.280	.280	300	1	2.250	2.230	2.680	2,350	2.660	2,667			152,750	177,500	190,000	233,750	275,000	296,000	1
October	yen ,260	.210	.380	.300	.280	.296	1	2, 630	2.190	2,700	2.450	2.800	シングラ	-		152,500	170.000	190,000	240,000	280.000	300,000	1
Angust September	yen, 255	.200	.285	.300	.280	.273		2,500	2.170	3.070	2.500	2,680	2,858	1	IXURY.	150,000	0.	°.	0,	°	0.	
August	yen .250	.220	.235	.300	.300	.262	1	9,400	2,150	2.830	2,500	2,750	2,807	1	THIRD CLASS OF COMMODITIES—ARTICLES OF LUXURY	187.500	140,000	157,000	195,000	228,500	272,500	manada
July	yen ,235	.220	.220	.270	.265	.260		9.250	2.320	2.900	5.500	2.630	2.795	1	RTICLE	187.500	141.500	155,000	194,500	235,000	281,500	1
June	yen .235	.226	.220	.270	.265	.260	1	2,300	2.230	2.800	0.880	2.570	2.630	1	TES-A	137.500	142.500	159,000	192,750	235,000	285,000	1
May	yen.	.226	.220	.300	.265	200	-	2.280	2.110	2.750	2,410	2.500	9.620	1	MMODIT	135.000	0.	0°	0.	234,000	273,000	I
April	yen.	.226	.220	.300	.265	.265		081.13	2,110	2.700	2.410	2.450	2.750		OE CO.	151.000	158,000	173,750	0.	234,000	273,000	[
March	yen .235	.225	,215	.310	.265	.250		9.970	2.170	2.600	2,450	2.440	8238.51	1	CLASS	151.950	157.500	175,000	194,500	231,500	275,000	1
February	yen .235	.225	215	.310	275	.243	.290	9.180	2,130	2.450	9,550	2.260	8.124	[THIRD	152,000	156,000	177.500	192,500	227,500	275,000	286.250
January	yen .225	.252	.210	.320	.270	.259	.290	020.2	2.080	2.390	2,530	2.170	2.810	2.680		152,000	156,000	180,000	190,500	997.500	272,500	287.500
Date	1893 (26th Meiji)	1894 (27th ,,)	1895 (28th ,,)	1896 (29th ,,)	1897 (30th ,,)	1898 (31st ,,)	1899 (32nd ,,)	1893 (26th Meiji)	1894 (27th ,,)	1895 (28th ,,)	1896 (29th ,,)	1897 (30 th ,,)	1898 (31st ",)	1899 (32nd ,,)		1893 (26th Meiji)	1894 (27th ,,)	1895 (28th ,,)	1896 (29th ,,)	1897 (30th ",)	1898 (31st ")	1899 (32nd ,,)
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9	8.889	9,893	808	381	353	303		1.556	1.551	1.653	77	1.947	1,939		5,382	5,022	5.652	1,2	5,899	6.281	
Average	wen wen	9.6	10.598	11.981	12.353	12.803	1	1	1.6	1.0	1.734	1:3	1.6	T-	5.	5.0	5.0	5,37	70	6.5	
Pecember	yen 8.000	11.500	11,500	11.330	10.500	13.258	1	1.589	1.539	1.754	1.886	5.000	1.923		5.263	6,105	5.885	5.319	5.649	6,427	I
November December	yen 10.100	10.100	11.500	12.250	13,330	13,233		1.587	1.539	1.754	1.886	2.000	1.923		5.405	5,000	5.885	5.161	5,161	6,869	1
October	yen 10.500	12.250	12.000	13,380	13,830	15,065	1	1.587	1,539	1.754	1.852	9,000	1.923	1	5,191	4.111	5,988	5,618	5,105	6.290	1
September	yen 10.670	10.670	14.000	16.000	17.420	15.667	1	1.587	1.539	1,667	1.852	2,0.11	1.923	1	5.555	4.111	5,555	5,491	5.208	608*9	Whend
Angust 8	10.000 10.000	10.750	11.830	14,380	15,630	15.667	1	1.566	1.539	1.587	1.852	2.011	1.982	termonal	5,105	4.181	5.555	5,555	5.164	6,180	1
July	yen 9.230	9.500	12.170	13.100	13,750	13,500	1	1,566	1.515	1.587	1.818	2.128	1.852	Ĭ	5,319	4.651	5,105	5,461	6,649	6.557	I
June	9,000	8.500	9.500	11.400	11.930	12,000	1	1.539	1.566	1,639	1,492	1.886	2,000	1	5.263	5.070	5,461	5,196	5,405	6,410	Basin
May	yen 7.770	7.500	8.250	11.650	10.650	11.567		1.539	1.566	1,639	1.492	1.886	1.980	1	5,026	5,405	5.491	5,196	5,263	6,410	product
April	yen 7.400	7.500	8.920	10,780	10.200	11,000	1	1.539	1.566	1.639	1.587	1.886	1.942	!	5,405	5.555	5,619	5,000	5,405	6,410	Becompt
March	3,000 8,000	7.500	00006	9.170	10,100	10.750	-	1.539	1.566	1.613	1.639	1.786	1.96.1	1	5.555	5,405	5.714	5.176	5,405	5.250	
February	yen 7.500	7.750	8.500	9.500	10.650	11.375	11.018	1.539	1,566	1.587	1.693	1,852	1,961	1	5,194	5.128	5.618	5,348	5.263	5.882	Brazzani
January	yen 8,500	7.800	10,000	10,830	10.250	10.550	12,355	1,539	1.566	1.612	1.754	1.852	1,900	1,923	5,405	5.263	5.618	5,618	5.208	5.882	6,592
Date	1893 (26th Meiji)	1894 (27th ,,)	1895 (28th ,,)	1896 (29th ,,)	1897 (30 th ,,)	1898 (31st ,,)	1899 (32nd ",)	1893 (26th Meiji)	1894 (27th ,,)	1895 (28th ,,)	1896 (29th ,,)	1897 (30th ")	1898 (31st ,,)	1899 (32nd ,,)	1893 (26th Meiji) :	1894 (27 th ")	1895 (28th n)	1896 (29th ,,)	1897 (30th ,,)	1898 (31st ,,)	1899 (32nd ,,)
		90	unna npo.i	Lygg Turing Turing Turing	BURG	IS	1	อน	ıuou). D61		ip tes	В	อาแาเ			rdt : g zii		SSELC	tal

Average	yen 4.500	4.542	5.196	5.108	5.054	5.026		4,809	4.721	5.555	5,418	5.082	5.396	
December	yen 4.650	4.900	6,600	4.700	4.500	6.070	III.	4.700	5,100	5.700	4.900	4.700	5.292	
November	yen 4.650	4.550	5,600	4,900	4.700	5.083	· ·	4.800	4.800	5.900	5.200	4.700	5.217	
October November December	yen 4.800	4.200	5,600	5,350	5,000	5.050	-	5.000	4.500	5.900	5.300	5.000	5.200	
September	yen 4.800	4.100	5,750	5,850	5,100	5.122		5.000	4,350	6.200	5,600	5.200	5.273	1
Angust	yen.	3,900	5.250	5,600	5,500	5.080	1	2,000	1.000	0000.9	5.800	5.300	5.466	1
July	yen 1,600	0.500	5,000	5,850	5,500	5.217]	4.600	4.500	5,900	0.	0.	5.633	1
June	yen 4. (50)	0.650	4.800	5,100	5,300	5,416	1	0.	5,000	0.	5.300	5.500	5,833	1
May	yen 4,150	1.600	4.900	4.950	5,350	5.350		4.800	5,000	4.800	5.300	5.500	5.633	1
April	yen 4.200	4,650	4.950	4.850	5,000	5.250	1	4.800	5.200	5.100	5.200	5,300	5.517	1
March	yen 4.550	4,750	6,000	4.500	5.150	5.250	1	4.800	4.800	5.250	5.400	5,100	5,363	J
February	yen 4.100	4.50	5,000	5.200	4.800	5.250	6.386	4.700	4.500	5,250	5.700	4.800	5.430	6.157
January February	yen 3,900	4.850	4.900	5,450	4,750	4.853	5.656	4,700	4.600	5.100	5.900	4.800	4.900	5.800
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Date	1893 (26 th . <i>U</i> d	1894 (27th	895 (28th	896 (29 th	7 (30th	.898 (31st	899 (32nd	1893 (26 th	1894 (27m	.895 (28th	.896 (29 th	1897 (30 th	98 (31st	1899 (32nd
	189	189	189	189	1897	189	189			-			1898	
Items	r _V	ilan) mmo		JS A S JSI JSI JSI JSI JSI JSI JSI JSI JSI JSI		Chiri			g sasp	Dran	i ber	ntos: Mott	inasi	

For explanations of Japanese measures, see foot note to table XI, Page 36.



TABLE XLIII.
CHEQUES AND BILLS CLEARED AT THE CLEARING HOUSES IN TOKIO AND OSAKA.

Year .	In Tokio	In Osaka ,	Total
1893 (26 th year <i>Meiji</i>)	148,018,871	63,600,661	211,619,532
1894 (27 th ,, ,,)	185,597,497	67,543,806	253,141,303
1895 (28th ,, ,,)	289,102,424	79,654,668	368,757,092
1896 (29 th ,, ,,)	417,425,507	138,407,334	555,832,841
1897 (30 th ,, ,,)	552,890,212	160,967,475	713,857,687
1898 (31 st ,, ,,)	790,248,384	225,980,828	1,016,229,212

TABLE XLIV.

THE RATE OF INTEREST IN TOKIO

Based on the report of the Tokio Bankers' association.

Dates	Loans on Credit	Loans on Security	Current Deposit	Fixed Deposit (for six month)	Fixed Deposit (for one year)
1893 (26th year Meiji)	per cent.	per cent.	per cent.	per cent.	per cent.
January	8.210	8.217	3.650	4.500	5.000
February	8.210	7.915	3.675	4.700	5.220
March	8.210	7.390	3.491	4.545	5.090
April	6.570	7.350	2.964	4.555	5.045
May	6.570	6.800	2.600	4.020	4.630
June	5.840	6.200	2.550	4.000	4.420
July	5.840	6.400	2.314	3.755	4.656
August	5.840	6.400	2.568	3,805	4.350
September	6.020	6.924	2.550	3.900	4.454
October	6.570	7.220	2.670	3.840	4.500
November	6.935	7.420	2.690	4.010	4.590
December	8.030	8.060	2.950	4.190	4.690
1894 (27th year Meiji)					
January	8.780	8.410	3.260	4.550	5.390
February	9.100	8.560	3.430	4.600	5.250
March	8.980	8.680	3.390	4.630	5.200
April	9.100	8.740	3.340	4.670	5.150
May	9.170	8.750	3.040	4.600	5.200
June	9.640	9.180	3.460	4.770	5.300
July	9.960	9.710	3.590	5.000	5.510
August	10.000	10.030	3.750	5.150	5.690
September	10.150	10.030	3.800	5.090	5.640
October	9.990	9.870	3.660	5.190	5.720
November	10.180	9.930	3.680	5.180	5.740
December	10.270	9.910	3.700	5.200	5.720
1895 (28th year <i>Meiji</i>)					
January	9.740	9.970	3.740	5.180	5.770
February	10.060	10.000	3.790	5.290	5.790

Dates	Loans on Credit	Loans on Security	Current Deposit	Fixed Deposit (for six month)	Fixed Deposit (for one year)
1895 (28th year Meiji)	per cent.	per cent.	per cent.	per cent.	per cent.
March	9.980	9.910	3.810	5.340	5.820
April	10.060	10.010	3.850	5.310	5.820
May	9.900	9.990	3.800	5.300	5.830
June	10.270	9.610	4.050	5.390	6.160
July	9.580	9,880	3.890	5.400	5.950
August	9.940	9.410	3.910	5.470	5.990
September	9.850	9.240	3.900	5.410	6.020
October .	9.430	9.030	3.980	5.370	5.980
November	9.460	9,050	4.000	5.460	5.980
December	9.420	9.150	4.030	5.460	6.040
1896 (29th year <i>Meiji</i>)					
January	9.530	9.190	4.100	5.400	5.960
February	9.520	9.160	4.080	5.370	6.000
March	9.680	9.060	4.140	5.430	5.990
April	9.570	8.980	4.240	5.390	5.960
May	9.510	8.870	4.130	5.400	5.980
June	9.530	8.940	4.210	5.450	6.040
July	9.563	8.943	4.052	5.512	5.950
August	9.670	9.180	4.090	5.520	6.100
September	10.100	9.480	4.280	5.570	6.130
October	10.510	9.820	4.310	5.600	6.150
November	9.850	9.820	4.350	5.600	6.190
December	10.110	10.040	4.270	5.610	6.150
1897 (30 th year <i>Meiji</i>)					
January	10.270	10.040	4.440	5.580	6.170
February	9.920	9.960	4.420	5.710	6.210
March	10.550	9.670	4.160	5.540	6.210
April	9.950	10.000	4.490	5.660	6.210
May	10.270	10.220	4.000	5.920	6.300
June	10.290	10.070	4.440	5.790	6.410
July	10.330	10.260	4.420	5.900	6.490
August	10.730	10.060	4.750	6.030	6.510
September	10.610	10.110	4.780	5.930	6.620
October	10.220	10.220	4.740	6.100	6.600
November	11.120	10.690	5.120	6.310	6.840
December	11.040	11.170	5.070	6.250	6.760
1898 (31st year <i>Meiji</i>)	44.000				
January	11.680	10.910	5.320	6.620	6.750
February	11.770	11.040	5.450	6.650	7.160
March	11.680	11.350	5.660	6.760	7.270
April	11.680	11.500	6.020	6.940	7.400
May	11.280	11.750	6.020	7.000	7.500
June	11.680	11.680	6.020	7.050	7.250
July	11.680	11.315	6.095	7.070	7.450
August	11.570	11.461	6.205	7.270	7.490
September '	11.645	11.461	6.132	7.080	7.440

1	Dates	Loans on Credit	Loans on Security	Current Deposit	Fixed Deposit (for six month)	Fixed Deposit (for one year)
	1898 (31st year <i>Meiji</i>)	per cent.	per cent.	per cent.	per cent.	per cent.
	October	11.023	11.315	6.169	7.130	7.470
	November	11.352	11.133	6.242	6.970	7.250
,	December	10.841	10.585	6.278	7.100	7.760
	1899(32nd year Meiji)			1		
	January	10.622	10.257	6.096	6.980	7.500
	February	10.330	10.038	6.023	6.870	7.330

$\begin{array}{cccc} TABLE & XLV. \\ \\ THE RATE OF INTEREST IN OSAKA \\ \\ Based on the reports of the Bank of Japan. \end{array}$

Dates	Loans on Credit	Loans on Security	Current Deposit	Fixed Deposit (for six month)	Fixed Deposit (for one year)
1893 (26th year Meiji)	per cent.	per cent.	per cent.	per cent.	per cent.
January	6.935	7.665	2.555	5.000	5.200
February	7.300	7.665	2.555	4.900	5.000
March	7.300	7.300	2.555	5.000	5.200
April	6.570	6.935	2.555	5.100	5.100
May	6.205	5.110	1.825	4.200	4.800
June	4.745	5.110	1.460	4.000	4.300
July	7.300	5.840	1.460	3.900	4.200
August	8.760	6.935	1.460	4.000	4.200
September	8.030	7.300	1. 533	3.900	4.200
October	9.855	6.570	1.205	3.900	4.300
November	7.390	8.030	1.205	4.200	4.400
December	9.855	9.490	1.204	4.200	4.400
1894 (27th year Meiji)					
January	9,855	8.760	1.679	4.100	4.400
February	9.490	9.855	1.679	4.200	4.500
March	9.490	9.125	1.679	4.400	4.600
April	9.125	9.125	1.825	4.600	4.800
May	10,220	7.855	2.190	4.700	4.800
June	10.585	10.220	2.190	4.500	4.800
July	10.585	9.125	2.190	4.800	5.000
August	10.585	11.315	2.190	5.000	5.300
September	11.815	11.815	2.920	5.200	5.300
October	0	9.855	2.920	4.800	5.000
November	9.125	10.585	2.920	4.700	5.200
December	12.410	12.045	2.555	5.200	5.500
1895 (28th year Meiji)					
January	10.950	11.315	2.920	5.300	5.600
February	10.220	10.585	2.555	5.100	5.400
March	9,855	10.220	2.920	5.500	5.500
April	9.855	10.585	2.920	5.400	5.500
May	10.585	10.220	2.920	5.100	5.500

Dates	Loans on Credit	Loans on Security	Current Deposit	Fixed Deposit (for six month)	Fixed Deposit (for one year)
1895 (28th year Meiji)	per cent.	per cent.	per cent.	per cent.	per cent.
June	10.585	11.315	2.920	5.600	5.600
July .	10.220	10.220	3.285	5.700	5.700
August	8,760	8.030	3.285	5.600	5.700
September	8.395	9.125	3,066	5.900	5.900
October	8.030	8.760	3.066	5.600	5.800
November	8.030	9.125	3.285	5.900	5.900
December	9.855	10.220	3.066	5.800	6.000
1896 (29th year Meiji)					
January	10.220	10.220	3.103	5.700	5.900
February	10.220	10.220	3.103	5.700	5.900
March	8.760	9.490	3.066	5.900	5.900
April	8.030	8.760	3.066	5.800	5.900
May	8.395	8.760	3.066	5.900	5.900
June	8.395	9.125	3.066	5.800	6.000
July	9.125	9.855	9.066	6.000	5.900
August	11.315	10.585	3.066	5.700	5.900
September	9.855	10.950	3.139	6.200	6.200
October	11.315	11.680	3.285	6.000	5.900
November	10.950	11.680	3.395	5.900	6.000
December	10.220	11.315	3.066	5.800	6.000
1897 (30th year <i>Meiji</i>)					
January	11.315	10.585	3,285	5.800	6.200
February	11.315	10.220	3.285	6.000	6.000
March	9.490	9.490	3.285	6.200	6.000
April	9.490	10.585	3,650	5.800	5.500
May	10.585	10.220	3,285	5.900	6.100
June	10.585	10.585	3.650	5.900	6.000
July	10.220	10.220	3.285	6.000	6.000
August	10.220	10.585	3.285	6.000	6.000
September	10.220	10.585	3.285	5.900	6.100
October	10.220	10.585	3,650	5.900	6.100
November	0	10.950	4.015	6.100	6.500
December	0	11.315	4.015	6.100	6.600
1898 (31st year <i>Meiji</i>)					
January	10.950	10.950	4.015	6.200	6.700
February	10.950	10.950	4,015	6.400	6.700
March	10.950	10.950	4.380	6.600	6.800
April	11.315	11.680	4.380	6.400	6.900
May	11.315	12.045	4.380	6.500	7.000
June	11.445	12.045	4.745	6.800	6.900
July	12.045	11.680	4.745	6.800	6.900
August	10.950	11.315	4.745	7.000	6.900
September	10.220	10.950	4.745	6.800	6.900
October	10.585	10.950	4.745	6.900	7.000
November	10.220	10.585	4.745	6.900	7.000
December	11.315	10.220	4.745	6.900	7.000
1899(32 nd year <i>Meiji</i>)					
January	0	9.855	4.380	6.700	6.900
February	0	9.125	7.300	6.700	6.800

SECTION II.

Effects of the coinage reform on the foreign trade of the country.

So far as our trade with gold standard countries is concerned, our adoption of the gold standard which made us use the same standard of value as those countries has proved to be a source of great benefit. This may be inferred from the fact that changes which have since taken place in the rate of foreign exchange have been but very slight, and these all traceable to changes in the condition of the foreign trade of the country, and not at all traceable as formerly to sudden changes in the price of silver. For this reason, there was eliminated from our foreign trade much of that speculative element which was caused by constant changes in the value of our currency; so that the way was at last opened for the steady and natural development of the foreign trade of the country. Again concerning our commerce with silver standard countries, contrary to the gloomy prospects indulged in by some critics, our trade with those countries has not ceased to make a steady growth, and this in the face of certain events occurring in the interior of China, our greatest customer among the silver countries,—events, such as natural calamities and disturbances which have greatly hindered the commercial activity of that country. Let me refer, herewith, to a report of the Higher Commission on Agriculture, Commerce and Industry, which was drawn up in October, 1898, in response to the inquiry made by the Minister for Agriculture and Commerce, concerning the effect of the Coinage Reform on the foreign trade of the country. The report runs as follows:-

"In replying to the question put before the present commission, we believe it is well to say a few words in regard to the circumstances under which the recent coinage reform was effected. There is no doubt that, in the case of any country, the most important question to be considered in connection with a coinage reform to be effected, would be as to the effect of that reform on the price of commodities at home, and on the

responsibility and liability in cases of monetary contracts, and that the questions connected with the effect on the foreign trade of the country must be looked upon as of lesser importance. Now considered in relation to the effect of the coinage reform on the prices of commodities and on the responsibility and liability connected with monetary contracts, we believe that the reform was undertaken at a most favourable moment. There were other causes, too, which made the reform easier. First among these causes may be mentioned the fact that though our country had adopted a gold standard once before, soon after the Restoration, it became changed into a bi-metallic system, so that while there were always gold coins in existence in the country, they were not used in the daily transactions of the people. And later, when a de facto silver standard came to prevail, even then silver coin was scarcely used in daily transactions, but the convertible note representing that coin, the latter being merely kept in the Bank of Japan as the conversion reserve. The second fact to be noted is the smallness of the native output of gold and silver. The quantity of these metals produced in the country is so small that Japan can scarcely be called a gold or silver producing country. The third cause is the fact that both gold and silver coins as well as bullion of these metals found in the country were nearly all absorbed by the Bank of Japan, and but very little was found among the people in general. Then, fourthly and lastly, there was but very little foreign capital directly invested in industrial and commercial enterprises in the country. All these causes combined to make the conditions prevailing in Japan very different from those in America or India, and made it very much easier to carry into effect the plan of coinage reform.

Another fortunate thing was the fact that the price of silver, which had shown a growing tendency to depreciate, remained almost stationary at the time the reform was being effected; and since the price of silver which prevailed at the time made our old one-yen gold coin about equal to two yen silver, the Government was enabled in establishing the new system to fix upon the weight of our new coin at one half the weight of the old coin. For this reason although the standard of our coinage was changed from silver into gold, yet the value of our standard coinage remained almost unchanged. These favourable circumstances together enabled our country to accomplish the reform without disturbing the prices of commodities or the responsibility and liability in cases of monetary constructs, thus to avoid evils most dreaded in foreign countries. We must, therefore, affirm that our coinage reform was successful in accomplishing the most important object it had in view. What, then, has been its effect on the foreign trade of the country? There is no doubt of course that this is a very important question. In trying to answer it, we

must remember that all the countries of the world to-day, except a very few, have now adopted the gold standard and the volume of our trade with the gold standard countries amounts to two thirds of the entire volume of our foreign trade, while the amount of our trade with the silver standard countries comprise but about one third. And since it is clear that we have benefited greatly through our reform in our trade with the gold standard countries, we must conclude that the effect of our recent reform on the foreign trade of the country has been on the whole wholesome and beneficial. We are not indeed entirely free from the danger that, in competing with the silver standard countries in the market of the gold standard countries, we may sometimes be temporarily placed at a disadvantage owing to changes in the ratio between gold and silver. Yet it is a fortunate thing that, in regard to silk which is our most important product, there is searcely any such danger, since the silk that our own has to compete with is not the Chinese silk but the Italian silk,—the former meeting different customers from ours. Some would indeed attribute the dull state of commerce with China since last year to the effect of our coinage reform, but such critics perhaps do not understand the real state of affairs in regard to our commerce with China. We need hardly say that the growth or decrease of our exports to any foreign country depends very largely on the economic condition of that country. Owing to financial derangements consequent upon her war with our country, as well as to the failure of crops and of silk culture, China was in no condition to buy much from us, so that not alone in her import trade with this country in cotton yarn, &c., but also in her trade with other countries as well, she has not shown much activity. For this reason, the specie which was received in payment for the exports was absorbed into the interior of that country and never came out. This produced a great scarcity of currency in Shanghai, Hongkong, &c., raising the rate of interest to 20 or 30 per cent. per annum. For this reason, and from the fact that the exports of some articles, like matches and coal, which are in great demand throughout the Far East, have not decreased at all, we may safely infer that as soon as the business condition of China improves our export of cotton varn into that country will increase, as also indeed the exports of other articles. Again, some critics would regard the reduction in the market price of our cotton yarn from 100 yen or thereabout of last year to 75 yen or thereabout of this year as due to the influence of our coinage reform. This opinion, again, seems to rest upon ignorance of the facts. For it must be remembered that the last year's cotton crop of America was very abundant, so that the price of raw cotton fell from 22 or 23 yen to 15 or 16 yen, i. e. by about 20 to 30 per cent. When a raw material becomes reduced in price, the article manufactured from it will as a matter of course

also be reduced in price. There was perhaps another cause for the reduction in the price of our cotton yarn; namely, its over-production and oversupply in the market, owing to the greatly increased number of spindles which were set up. In fact, India seems to be similarly suffering on account of the difficulty of selling its cotton yarn and the consequent fall in the price. And when we remember that the currency system of India is not a silver standard, but one which may most fitly be called an artifically-constructed gold standard, there does not seem to be any cause for alarm on account of our change of currency from the Indian competition in the production of cotton yarn.

Such then being the case, we believe that the beneficial effect of our coinage reform on our foreign trade has already been great, and we do not notice any material evil in connection with it. Besides, our adoption of the gold standard has made it easier for our country to enter into the economic community of the world at large, so that henceforth it will become practicable for us to invite capital from other countries where it is plentiful to be invested in our country. This will doubtless be another of the benefits conferred upon the country by our coinage reform. We conclude, therefore, that the effect of the coinage reform upon our foreign trade has been beneficial, without a trace of evil, so that there does not seem to be any need for adopting measures for the warding off of possible evils.

Table XLVI and XLVII are herewith adjoined for reference concerning this section.

TABLE XLVI. SHOWING THE RATES OF FOREIGN EXCHANGE.

Dates	On London	On New York or San- Francisco	On Shanghai	Dates	On London	On New York or San- Francisco	On Shanghai
1893 (26th Meiji)	per one yen	per 100 yen 8.	per 100 yen	1896 (29th Meiji)		per 100 yen	
January	32.7216	66.2727	71.5000	February	26.0885	\$. 53,1719	taels 71.5000
February	32.7283	66.4565	71.5000		26.6925	54.2500	71.8000
March	32.5048	66.0096	71.8173	April	26.5450		71.8000
April	32.4063	65.8125	72.3125	*	26.6250	54.0000	72.4520
May	32.4444	65.8889	71.9722	June June	26.6394		72.4520
June	31.9688	64.9375	71.8077		26.5949	53.8796	72.7500
July	29,6851	60.2356	71.9135	August	25.9952	52.4952	72.6635
August	29.4792	60.0509		September	25.3025	50.9150	72.2850
September	29.1425	59.0750	71.9600	October	25.1971	50.8990	71.7981
October	29.0950	58.3350	72.2450	November	25.5272	51.5842	72.0652
November	28,1198	56.5521	72.4063	December	25.6505	51.8404	72.2361
December	27.8654	55.8269	72.0000	1897 (30th Meiii)	20.0000	01,0404	14.4501
1894(27th Meiji)	21.0004	00.0200	14.0000	January	25.4531	51.2046	72.2955
January	27.0881	54.1761	71.9773	February	25.3363	51.1905	72.3333
February	25.4401	50.8073	71.3750	March	24.6082		72,6250
March	23,7650	48.8400	71,7900	April	24.3495	49.3657	72.9615
April	24.7814	50.3490	72.2708	May	23.9849	48.6010	73,0000
May	25.0208	50,7731	72.6852	June	23.8990		73.3200
June	24.9087	50.5673	72,7500	July	23.9218	48,4667	75.0583
July	24.9543	50.6587	72.8269	August	24.0625	48,6683	82.0268
August	25.4977	51,7130	73.2500	September	24.1950	48.8900	83.2351
September	26.1125	52,7250	73.2500	October	24.3225	49.0250	77.2360
October	25.5601	51.6538	73.2500	November	24.2940	48.9541	76.4760
November	24.8125	50.0521	72.3650	December	24.3125	48.8750	74.6250
December	23.8558	48.1731	72.1440	1898 (31st Meiji)			
1895 (28th Meiji)				January	24.2983	48.8920	76.3636
January	23.3125	47.1250	71.9375	February	24.2500	48.8750	78.5980
February	23.3152	47.2170	71.6090	March	24.2292	48.9220	80.0200
March	23.8565	48.2150	71.5000	April	24.1611	48.8221	79.7980
April	25.6050	51.7600	71.5000	May	24.2380	48,9520	80.3365
May	25.5528	52.1630	71.1540	June	24.3125	49.2115	80.1150
June	25.5500	51.7900	71.1200	July	24.3125	49.2500	78.3650
July	25.6056	51.9630	71.6634	August	24.3125	49.2500	77.3055
August	25.8264	52.4027	71.4629	September	24.3625	49.2500	75.8000
September	26.1927	53.1354	71.5000	October	24,3630	49.2355	75.4615
October	26.5120	53.7740	71.7210	November	24.3125	49.2500	74.8229
November	26,2812	58.8125	71.8750	December	24.4259	49,4490	74.5185
December	25.4279	51.7115	71.5000	1899(32nd Meiji)			
$1896 (29^{\mathrm{th}} Meiji)$				January	24.7357	49.8579	75.5454
January	25.5285	52.0455	71.5000	February	24.8071	49.9076	76.1630

Note:—

The rates given in the present table are the average monthly rates for sight drafts drawn at Yokohama on the places named: the figures are based on the reports of the Yokohama Specie Bank.

TABLE XLVII.

JAPAN'S FOREIGN TRADE WITH GOLD AND SILVER STANDARD COUNTRIES,

I. EXPORTS TO GOLD STANDARD COUNTRIES.

1			976	61	111	375	310	959
	Total		58,343,970	17.999,73	94,676,111	68,994,84;	97,256,31	85,241,950
	Italy		1,631,908	2,000,390	3,550,736	2,669,106	2,981,889	2,485,362
	Switzerland		227,141	703,021	467,718	617,707	897,047	236,686
,	Australia		7890,088	1,098,066	1,281,104	1,458,253	1,875,170	1,995,680
7.00	Canada		1,720,559	2,211,687	1,986,169	1,594,045	2,054,620	2,265,620
	Belgium		225,284	19,480	131,944	111,467	109,312	101,164
	Germany	-	1,380,040	1,517,549	3,340,013	2,972,137	2,207,018	2,469,242
	France	1	19,531,975	19,498,776	22,006,386	19,027,389	26,213,654	20,596,407
I	U.S.A. Great Britain		4,995,974	5,950,198	7,883,091	9,012,398	8,481,196	
-	U. S. A.		27,739,458	43,323,557	54,028,950	31,532,341	52,436,404	47,311,155
			Meiji)		,,)	,,)	11)	(,,
	ates		26th year	33	3.3	6.6	3.3	133
	Da		-	_	(28th	(29th	(30th	(31st
			1893	1894	1895	1896	1897	1898

Notes:-

1. The foregoing gives the figures only for those countries which have a larger share in our foreign trade with the gold standard countries; Holland, Austro-Hungary, Spain, Sweden and Norway, Turkey, Portugal, Denmark, Hawaiian Islands, &c. being omitted. 2. British India, too, not being a purely gold standard country is herein omitted.

II. IMPORTS FROM GOLD STANDARD COUNTRIES.

Total	86,578 46,669,990 170,310 68,010,849 148,465 76,162,130 181,921 107,201,306 213,267 122,696,245 885,819 145,060,872
Italy	86,578 170,810 148,465 181,924 213,267 385,819
Switzerland	669,801 (29),208 1,040,212 2,531,217 2,555,905 3,198,310
Austrulia	\$19,034 551,763 1,031,725 885,046 897,050 1,403,436
Canada	16,629 45,895 13,718 51,625 129,129 156,986
Belgium	985,001 1,201,121 2,066,215 3,106,091 3,173,218 4,316,703
Germany	7,818,18.1 7,909,542 12,283,159 17,183,953 18,143,280 25,610,962
France	3,305,277 4,348,048 5,180,135 7,682,347 5,147,592 6,979,983
Great Britain	27,929,628 42,189,874 45,172,111 59,251,780 65,406,266 62,707,572
U.S. A.	6,000,408 10,982,558 9,276,860 16,373,420 27,030,538 40,001,098
Dates	1893 (26 th year <i>Meiji</i>) 1894 (27 th ,, ,, 1895 (28 th ,, ,, 1896 (29 th ,, ,, 1897 (30 th ,, ,, 1898 (31 ^{tt} ,, ,,

Notes:

1. The foregoing gives the figures only for those countries which have a larger share in our foreign trade with the gold standard countries; Holland, Austro-Hungary, Spain, Sweden and Norway, Turkey, Portugal, Denuark, Hawaiian Islands, &c. being omitted.

2. British India, too, not being a purely gold standard country is herein omitted.

III, EXPORTS TO SILVER STANDARD COUNTRIES.

D	Dates			China	Hongkong	Korea	French India	Philippine	Russia (including	Stam	Peru	Mexico	Total
								COMPANIES .	Siberal				
197)	b year	1893 (26th year Meiji)	1-	,714,420	15,688,875	1,801,248	0	120,417	621,838	6,103	82.52	0	25,451,018
(270	h 33	1894 (27th ,, ,,)		8,813,987	16,199,481	2,365,112	24,528	220,587	1,020,349	2,953	0	0	28,646,992
5 (28'	h ,,	1895 (28 th ,, ,,)		9,135,109		3,831,177	17,555	194,832	1,822,746	7,930	7,180	0	32,879,632
3 (294	1896 (29th ,, .,	:	-	3,823,844	19,965,900	3,867,698	30,461	187,786	1,910,582	9,892	1,981	0	59,298,089
1897 (30th	al tr	3.3	121,	21,825,065	25,890,204	5,196,573	35,511	186,383	2,039,343	22,466	7,370	0	51,203,008
3 (31)	1898 (31st ,,	9.3	(25)	29,198,175	31,473,896	5,811,332	111,421	115,438	2,276,912	41,720	1,736	28,751	28,751 69,087,376

IV. IMPORTS FROM SILVER STANDARD COUNTRIES.

	Total	29,858,187	38,274,038	40,156,284	40,700,962	65,457,099	77,179,709
1	Mexico	0	0	0	0	0	3,667
	Peru	2,065	433	8,878	5,812	280	2,984
	Siam	54,891	618,859	143,095	203,275	1,190,969	4,175,610
1	Russia (including Siberia)	1,871,113	1,173,774	1,417,658	1,416,849	1,907,587	1,810,460
	Philippine Islands	567,138	1,698,819	1,220,745	1,804,914	2,675,300	3,294,183
	French India	0	6,087,615	8,382,674	1,673,388	9,525,552	4,796,032 16,668,444
	Korea	1,999,439	2,183,318	2,925,400	5,118,925	8,864,560	4,796,035
	Hongkong	8,268,071	8,999,718		9,138,778	12,027,197	15,904,467
	China	17.095,975	17,511,507	22,985,144	21,344,521	29,265,845	30,523,862 15,904,467
		(eiii)			(),	(,,	,,)
	00	ear J		: :			2.2
	Dates	26th v	27th	28th	29th	30tb	(31st
		1893 (26th year Meiii)	1894 (27 th	1895 (28 th	1896 (29 th	1897 (30tb	1898 (31st

SECTION III.

The effect of our coinage reform upon the financial condition of our country.

Since our Coinage Reform enabled us to avoid all the evil effects of fluctuations in the price of silver, we stand now no longer, as was formerly the case, under the necessity of making plans for financial matters with the currency constantly changing in value, and sometimes suffering unexpected losses and evils in times when those fluctuations are unusually violent. All those fears of miscalculation and losses have now become things of the past. Most particularly in the last few years when the national expenditures for things bought abroad, such as war-ships, &c., have greatly increased in amount, we have doubtless been able to avoid, on account of our coinage reform, great losses on the part of the National Treasury. Besides since our adoption of the gold standard, our Government bonds have been sold in no small amount in the European market, so that their names appear regularly in the price list of the London Stock Exchange. This fact at once converted our bonds into an international commodity, and will no doubt lead to a closer relationship between our home and the foreign money markets.

For reference concerning the present section the following tables, XLVIII, XLIX, L, are herewith adjoined.

TABLE XLVIII.

ACCOUNT OF THE PAYMENTS MADE ABROAD WITH THE INDEMNITY FUND, FOR THE DIFFERENT DEPARTMENTS OF THE GOVERNMENT, AFTER THE GOLD STADARD SYSTEM WENT INTO ACTUAL OPERATION.

Dates	Autounts in. English money paid for the different departments	Price of silver bars in London	money	Amount paid for the different departments estimated in Japanese silver wen, according to the shipping point previously mentioned	The rate of exchange	paid back to the Indemnity Fund	Difference between the amount paid estimated in silver yen, (4th column) and the amount actually paid in gold (6th column)
1897 (30th year Meiji)	£. s. d.	d.	d.	yen	d.	yen	yen
October	498,961.17.05	26.6130	22.2437	5,383,584.970	24.2520	4,937,929.474	445,655.496
November	488,596.08.04	16.8411	22.4344	5,226,934.529	24.3454	4,816,636.181	410,298.348
December	287,241.09.08	16.8287	22,4240	3,074,293.436	24.2700	2,840,454.736	233,838.700
1898 (31st year Meiji)	1						
January	261,895.04.07	26.4006	22.0662	2,848,467.566	24.2476	2.592,214.050	256,253.516
February	1,036,886.15.05	25.9158	21.6610	11,488,519.690	24.2248	10,272,643.624	1,215,876.066
March	27,288.08.04	25.4884	21,3038	307,420.272	24.1250	271,470.259	35,950.013
April	424,547.04.10	25.9099	21.6561	4,704,971.717	24-1665	4,216,215.581	488,756.136
May	602,474.13.11	26.2981	21.9805	6,578,281.977	24.2458	5,963,659.987	614,621.990
June	121,816.01.10	27,0817	22,6355	1,291,593.382	24.2947	1,203,382.280	88,211.102
July	168,078.15.04	27,3269	22.8404	1,766,120.733	24.2772	1;661,594.631	104,526.102
August	219,635.02.07	17.4352	12.9310	2,298,741.049	24.2722	2,171,716.494	127,024.555
September	776,554.05.02	28.0150	23.4156	7,959,352.825	24.3374	7,657,875.257	301,477.568
October	108,693.09.00	17.9000	23.3195	1,118,652.973	24.3606	1,070,842.609	47,810.364
November	166,138.01.09	27.9583	23.3682	1,706,299.201	24.4471	1,630,993.970	75,305.231
December	0.	27.4444	22.9387	0.	0.	0.	0.
1899 (32nd year Meiji)							
January	373,665.07.07	27.4:90	22.9258	3,911,736.602	24.6846	3,633,017.728	178,718.874
February	42,451.18.01	27.4402	22.9351	444,229.892	24.7517	411,627.262	32,602.630
March	3,403.02.06	27.4625	22,9538	35,582.344	24.7500	33,000.000	2,582.344
Total	5,608,328.06.04			60,144,783.158		55,385,274.123	4,759,509.035

TABLE XLIX.

MARKET PRICES IN LONDON OF THE JAPANESE MILITARY LOAN BONDS (PAYMENT GUARANTEED TO BE MADE IN ENGLISH MONEY AT THE RATE OF $24~^{1/2}~d.~{\rm PER}~1~{\rm YEN})$

Dates	Average Prices	Dates	Average Prices
	£. s. d.	1898 (31st year Meiji)	£. s. d.
March	103.02.01.0000	November	105.12.01.2500
April	102.14.05.1250	December	104.10.01.8750
May	104.13.11.8125	Average	104.14.10.1625
June	104.07.07.2500	1899 (32nd year <i>Meiji</i>)	
July	104.15.01.8750	January	105.01.07.6875
August	105.05.00.1250	February	106.07.01.9375
September	106.04.07.3125	March	106.16.07.2500
October	106.03.04.0000	Average	106.01.09.6250

TABLE L. MARKET PRICES IN LONDON OF THE JAPANESE CONSOLIDATED LOAN BONDS.

Dates	Average Prices	Dates	Average Prices
1896 (29th year <i>Meiji</i>)	£. s. d.	1898 (31st year <i>Meiji</i>)	€ . d.
July	111,50,00	January	(),
August	110,95,83	February	(),
September	108,93,75	March	Q.
October	105,95,00	April	92.00.00
November	105.87.50	May	92.00.00
December	104.95.83	June	93.00.00
Average	108,02,98	July	96.00.00
1897 (30th year Meiji)		August	96.00.00
January	104.50.00	September	96.00.00
February	105.43.75	October	96.00.00
March	105.50.00	November	96.00.00
April	105.12.50	December	96.00.00
May	108.81.25	Average	94.77.77
June	101.80.00	1899 (32nd year <i>Meiji</i>)	
July	98.50.00	January	96.00.00
August	95.87.50	February	96.00.00
September	98.10.00	March	96.00.00
October	99.25.00	Average	96.00.00
November	99.50.00		
December	97.00.00		
Average	101.15.83		

CHAPTER XIII. THE MONETARY SYSTEM OF FORMOSA.

SECTION I.

The Currency in use in Formosa about the time that island was ceded to Japan.

In regard to the monetary condition of Formosa before that island became a part of the Empire, the Government of Formosa (*Tai-wan Sotoku-Fu*) has had investigations conducted, the results of which being condensed are as follows:—

The standard currency of Formosa before that island was ceded to Japan was copper, as in the rest of the Chinese Empire; gold and silver being only used in cases of transactions on certain particular commodities, taking the position of a subsidiary currency. Of the officially issued copper coins there were two kinds; one was called Yang-chien, the other Chi-chien. The former was a model coin, issued by the Peking Government not for use in ordinary transactions but for use in a time of war, which was however held up ordinarily as the standard for the coins issued in the provinces. The weight of this coin was 1 kin (160 Japanese momme) for 100 pieces, while the weight of the Chi-chien was three quarters of that of the Yang-chien or 120 Japanese momme. In regard to quality, the model coin or Yang-chien consisted of 60 parts of copper and 40 parts of lead, while Chi-chien consisted of 54 parts of copper and 46 parts of lead. In reality, however, the copper coins in current use were by no means uniform. They differed in width and size according to the age in which they were coined. But in ordinary transactions no distinction was made on account of these differences, any one of these coins being called mon and 1000 pieces of them being called chao or string. The three kinds of copper coins, called Kang-hsi, Yang-cheng, Shünchi were large in size and whitish-yellow in colour. Another coin in three varieties—Chien-lung, Tao-kuang, Chiaching-was small in size and thick in width, inferior in quality and mean-looking in colour. These six were popularly known as the paichien or the large sen. Besides these, were the coins of the Min dynasty (1368-1668 A.D.) and the Tai-pin-tong-pao which were issued by the Tai-pin rebels (1850—1864). In addition to the coins already mentioned was the Japanese copper coin, Kwan-ei-tsuho. These latter kinds

were popularly known as the Hong-chien. Then again there were Shaku, Fong-pi, Yü-yen, Hoi-pan,-all privately issued coins-popularly known as the small sen, also passed for one mon. In public payments for taxes and other dues, only the first kind (called the white or large sen) were allowed; other kinds being not accepted. In Formosa, there used to be at one time a great quantity of the privately issued coins (called the small sen), so that it was feared that these illegal coins might come to be exclusively used in the island. For this reason in the 16th year of Kwangsu (1890), stringent orders were issued prohibiting the circulation of privately issued coins. As the result of this policy the circulation of illegal coins almost entirely ceased, so that the legal coins finally came to be almost exclusively used in the island. Besides these copper coins there were in use in Formosa the four kinds of silver coins—the Mexican, the Hongkong, the Canton and the Taiwan (or Formosa) dollars. Of the latter two kinds only a small number has ever been in circulation, but the former two kinds have been more abundant and widely circulated. These two kinds seemed to be in about equal numbers up till ten years ago, but since then there arose a tendency among business men to turn the Hongkong dollar into the Yüen-pao or the horse-shoe shaped silver bullion, on account of the profitableness of doing so and it became nearly all absorbed in this way. Finally the Mexican alone remained in large numbers and is now the almost exclusively circulated silver dollar. But the people of Formosa used to look upon the silver coin more as bullion than as a regular coin, from fear of counterfeits being found among these coins. For this reason in order to certify the genuine ones they put stamp marks on them, by which the weight of these coins was slightly reduced. When these marked ones gained an assured circulation, then they began to purposely disfigure them in order to rob them of a small portion. In process of time the coins would became so disfigured with stamps, holes, &c., that they would be treated as mere bullion, valued in proportion to their weight, their weight being tested at each transaction and compared with perfect pieces. In common practice, seven momme of such disfigured dollars were counted for 1000 copper coins, larger or smaller amounts being calculated according to this ratio.

The small silver coins circulated in Formosa consisted of Hongkong and Canton coins, there being besides a small quantity of Tai-wan (Formosa) coins. It was about the 18th or the 19th year of Kangsu (1892 or 1893) that these small coins were first minted in Formosa—there being three kinds of these, 2 chiao, 1 chiao and 5 tien issued from the Mint in Tai-hoku. The Mint, however, stopped coining at the outbreak of the China-Japan war, and the total amount of these coins has never been very large. Besides, their quality was often inferior and unreliable owing

probably to negligent superintendence at the time of minting. There were no other small silver coins in circulation in the island.

From the above it will be seen that there was no established monetary system in Formosa, and that while its currency consisted of copper and silver coins, the latter were passed more as bullion. The monetary condition of the island was in fact exceedingly chaotic and primitive.

When Formosa became a part of the Empire, the Government supplied the silver one-yen and subsidiary coins as well as the convertible notes of the Bank of Japan for disbursements in that island, and with the object of unifying the currency throughout the Empire made it a rule to decline to receive stamped one-yen silver in public payments. Since the one-yen silver coins now supplied to the islanders were not only sterling in quality but also much finer in appearance than the old mutilated ones, the people were at once eager to receive and circulate them. But with regard to the convertible notes, the people of this island being yet unused to handling credit notes showed no little dislike for them demanding a discount on them, so that in some cases a difference of more than 20 per cent. was seen in the exchange of paper with silver. The Government, therefore, took steps, with the view to maintaining the credit of these notes, to have them exchanged for silver coins by the officials of the Exchequer Office, and, later, ordered the Bank of Japan to open offices where these notes might be exchanged on demand. The notes now gradually gained credit and their circulation was much extended. For these reasons, although the Government did not enforce legally by Imperial ordinance the existing monetary regulations of the home land, the new order of things in the island as far as the monetary system was concerned became practically uniform with the system at home. The amount of one yen silver coin and of the convertible notes in circulation in the island is, however, not yet large enough to meet all the demands of the people, so that no small amount of the old crude currency is still in circulation among the people at large.

SECTION II.

The Coinage Law of 1897 and the currency system of Formosa.

The monetary condition of Formosa before the adoption of the gold standard by our country was as has been described in the preceding section. With the promulgation of the Coinage Law of 1897 (Law XVI of the 30th year of Meiji) and its going into effect in October of that year, a grave question at once arose concerning the policy to be pursued by the Government in regard to the coinage system of Formosa. Previous, however, to the coinage reform at home, on the 28th day of January, 1897, the entire business connected with the currency administration as well as the banking administration of Formosa had been placed in charge of the Minister of Finance, by Imperial Ordinance No. IX of 1897. The ordinance runs as follows:—

Imperial Ordinance No. IX, of the 28th day of January of the 30th year of Meiji (1897).

The currency and banking administration of Formosa shall be placed in charge of the Minister of State for Finance. In all matters concerning the said administration the Governor-General of Formosa shall act under the supervision of the Minister of State for Finance.

In accordance with the foregoing ordinance, the Minister of Finance, Count Matsukata, decided to take up, in respect to the currency system of Formosa, the following lines of policy:—

- I. To enforce the gold standard system in Formosa.
- II. To use silver as far as possible in actual monetary transactions.
- III. To permit the existence of a market rate of exchange between gold and silver, in cases of large monetary transactions.
- IV. To permit for the time being the use of silver bullion in public payments to the Government.

The Minister of Finance now believing it advisable to put a Government mark on the retired one-yen silver coin and place it in circulation in Formosa, presented on the 22nd day of September, 1898, the following memorandum to the Cabinet:—

While it shall be our aim to make in some future time the currency system of Formosa uniform with that at home, it is believed to be advisable, in view of the present condition of things there, to leave for the time being the currency system of the island unchanged from what it has been in the past. For this reason, it is now proposed to put in circulation in Formosa the one-yen silver coin which will be retired after October 1st, this year, by stamping it with a Government mark, and allow its use at a current valuation in all public payments to the Government, and at the same time to prohibit the use of foreign coins, and other coins with private stamp marks on them, which have been hitherto permitted to be used in public payments to the Government. These measures are now proposed with the object of unifying the currency of the island. With these explanations, I hereby submit to the Cabinet Council the draft of the Imperial Ordinance concerning the above mentioned measure.

The measure advocated as well as the draft mentioned in the preceding memorandum were approved by the Cabinet and accordingly on the 20th day of October 1897, the following Imperial Ordinance was issued:—

Imperial Ordinance No. CCCLXXIV of the 20th day of October of the 30th year of Meiji (1897).

- Art. I. The one-yen silver coin, with a Government stamp mark on it, may be used in Formosa for payment either to or by the Government. The payment by the Government shall only be made with the consent of the payee.
- Art. II. The Government stamp mark mentioned in the preceding article shall be placed on the face of the retired one-yen silver coin, in the form as shown below:—
 - (i) 1 bu and 5 rin in diameter.
- Art. III. All foreign coins or the coins with private stamp marks on them, shall not be used hereafter in public payments.

This article shall not apply to the cases of payments to the Government, where a special arrangement has already been made for making those payments in foreign coins.

Concerning the current valuation at which the above mentioned stamped silver *yen* was to be passed, it was decided to

base it on the market rate of exchange in Hongkong, and in November, 1897, the following notification was issued by the Governor-General in Council of Formosa:—

Notification No. LXVII, of the Governor-General of Formosa in Council, issued on the 14th day of November of the 30th year of Meiji (1897).

The one-yen silver coins with the stamp mark of the Government which may be used in all monetary transactions according to Imperial Ordinance No. CCCLXXIV of October of the 30th year of Meiji, shall be used for the time being at the rate of 1037 pieces of the silver one-yen for 1000 yen gold.

It was, however, soon found inconvenient in making calculations to fix the valuation of the stamped one-yen silver coin in terms of number of pieces, and to obviate that inconvenience, an amendment was introduced in the foregoing notification in November, 1897, by Notification No. LXX of the Governor-General in Council of Formosa, as follows:—

Notification No. LXX, of the Governor-General of Formosa in Council, on the 5th day of December of the 30th year of Meiji (1897).

The last clause in Notification No. LXVII of November 30th year of Meiji,—"at the rate of 1037 pieces of the silver one-yen for 1000 yen gold"—shall be changed so as to read as follows:—

"at the value of 96 sen and 4 rin a piece."

Since, however, the stamped one-yen silver coin was not legal tender, it was impossible to use it in making payment by the Government without the consent of the payee and for this reason it was found difficult to extend its circulation as widely as desired. On this account, with a view to open the way for extending its circulation the following notification (No. VI of January, 31st year of *Meiji*) was issued by the Governor-General of Formosa in Council:—

Notification No. VI issued by the Governor-General of Formosa in Council on the 27th day of January of the 31st year of Meiji (1898).

Persons desirous of getting the convertible bank notes exchanged for one-yen silver coins having the Government Stamp mark may apply for exchange at the Government Treasury. The Treasury may, however, decline to make exchange if the sufficient amount of the said one-yen silver coin is not at hand.

As has been narrated in Section IV, Chapter V, the one-yen silver coin was prohibited to circulate after the 1st day of April, 1898, by Imperial Ordinance No. CCCXXXVIII, of October of the 30th year of Meiji. Now although the said Ordinance did not apply directly to Formosa, yet the effect of it would make it impossible for the Government Treasury to receive the one-yen silver coin in payment for taxes and other public dues. In order to make the above mentioned point clear, there was issued a notification by the Governor-General in Council of Formosa—Notification No. LXVIII, of November of the 30th year of Meiji—as follows:—

Notification No. LXVIII issued by the Governor-General of Formosa in Council on the 21st day of November of the 30th year of Meiji (1897).

The one-yen silver coin will not be accepted in payment for taxes and other public dues after the 1st day of April of 31st year of Meiji. The notification, however, shall not apply to the one-yen silver coin which has been stamped by the Government.

It was ascertained, however, that, while the one-yen silver coin was quite extensively circulated throughout Formosa, the sphere of circulation of the stamped ones and of the convertible bank notes was narrow and limited. For this reason it was feared that much difficulty would be experienced in the payment of taxes and other public dues, in case, according to the foregoing notification, the unstamped one-yen silver coin was no longer to be received. Accordingly the said notification was revised by notification No. XVIII issued by the Governor-General of Formosa in Council in March of the 31st year of Meiji, which ran as follows:—

Notification No. XVIII issued by the Governor-General of Formosa in Council in the 15th day of March of the 31st year of Meiji (1898).

While the public was notified before concerning the limit of time of the circulation of the one-yen silver coin, i.e. by Notification No. LXVIII of November, 30th year of Meiji, it is hereby further stated that for the time being the one-yen silver coin will be received in payment of taxes and other public dues.

Previous to this, after Count Inouye became the Minister of Finance, he had researches conducted concerning the currency of Formosa and as a result of those researches he presented the following memorandum to the Cabinet:—

While it has been the aim of the Government in the currency administration of Formosa to make the same system in vogue in Formosa at some future time as at home: and while as a step toward that object it was decided to allow the use of the stamped one-yen silver coin in all monetary transactions,—that policy being set forth in Imperial Ordinance No. CCCLXXIV of last year,—yet on inquiry as to the practical working of that policy, it has been ascertained that the stamped one-yen coin was disliked not only by the people of Formosa, but also by people in Amoy, Hongkong, &c., whose commercial relations with the people of Formosa are naturally very close; in these latter places, the said coin being not used as coin at all. Owing to this circumstance, a great inconvenience is being now experienced in commercial transactions. If, however, the draft of law, already presented to the Cabinet Council, shortening the period allowed for the exchange of the one-yen silver for gold coin by making it expire on July 31st, should come to be promulgated as law, the Government would become freed after that date from the obligation to exchange the silver yen for gold coin, so that it would seem that from that time on the undefaced silver yen might safely be allowed to circulate and be used without any limitation whatever in Formosa. This would not only benefit the people of Formosa, but also the commercial transactions between Formosa and the cities on the mainland, such as Amoy, Hongkong, &c. I beg therefore to present to the Cabinet Council the following scheme concerning the currency of Formosa: --

I. To allow for the time being the unlimited circulation of the uninjured one-yen silver coin.

II. The ratio between the one-yen silver coin mentioned in the preceding paragraph and the gold coin shall be officially determined, being based on the current ratio between silver and gold.

The current ratio shall be made out every six months, by taking the average of the prevailing price of silver in Shanghai, Hongkong, Formosa, &c., for the past six months. When there are great fluctuations in the price of silver, the current ratio may be revised any time, and the official ratio between the uninjured one-yen silver and the gold coin changed accordingly.

- III. The Mexican dollar and other foreign silver coins, as well as silver coins stamped privately shall not be accepted by the Government for public payments.
- IV. The uninjured one-yen silver coins shall be allowed to circulate with the expiration of the period allowed for their exchange (the drafts of the Bill for shortening the said period has already been presented to the Cabinet Council). So long as the said period lasts the existing policy shall be pursued.
 - V. The one-yen silver coin with the Government stamp mark shall not be paid out by the Government, after the uninjured one-yen silver coin is allowed to circulate; though it will be accepted by the Government at the current rate of valuation for payments made to it.

In the Cabinet Council, the policy sketched in the foregoing memorandum was revised on a single point, i. e. in regard to the method of making out the current ratio, but otherwise adopted. The revised paragraph reads as follows:—

II. The ratio between the one-yen silver coin mentioned in the preceding paragraph and the gold coin shall be officially determined, being based on the current ratio between silver and gold.

The current ratio shall be made out once in every four months, by finding out the average price of silver in Shanghai, Hongkong, Formosa, &c., during the previous four months.

In accordance with the policy now adopted by the Government, Ordinance No. XIX of the Governor-General of Formosa in Council was issued on the 30th of July, 1898 (31st year of *Meiji*), as follows:—

Ordinance No. XIX, issued by the Governor-General of Formosa in Council, on the 30th day of July of the 31st year of Meiji (1898).

The one-yen silver coin may be circulated in Formosi at current valuation, without any limitations whatever. The current valuation shall be fixed and notified by the Governor-General.

The present Order shall go into effect on the 1st day of August, 31st year of Meiji.

On the same day notifications were also issued, as follows:—

Notification No. XLVIII issued by the Governor-General of Formosa in Council, on the 30th day of July of the 31st year of Meiji (1898).

The value of one-yen silver coin which is allowed circulate according to Ordinance XIX of the 31st year of Meiji is hereby fixed at 92 sen per one-yen.

Notification No. XLIX issued by the Governor-General of Formosa in Council on the 30th day of July of the 31st year of Meiji (1898).

The value of one-yen silver coin with the stamp mark of the Government, which may be either received or disbursed for payments according to Imperial Ordinance No. CCCLXXIV of October of the 30th year of Meiji shall be revised after August 1st, 31st year of Meiji, being fixed at 92 sen.

Again further notifications were issued on the 26th day of November, 1898, which have remained in force till March of the present year.

Notification No. LXXXVII issued by the Governor-General of Formosa in Council in the 26th day of November of the 31st year of Meiji (1898).

The value of the one-yen silver coin which is in circulation in accordance with Ordinance XIX of the 31st year of Meiji shall be revised after December 1st, 31st year of Meiji, being fixed at 94 sen.

Notification No. LXXXVIII issued by the Governor-General of Formosa in Council on the 26th day of November of the 31st year of Meiji (1898).

The value of one-yen silver coin with the stamp mark of the Government, which may be either received or disbursed for payments according to Imperial Ordinance No. CCCLXXIV of October of the 30th year of Meiji, shall be revised after December 1st, 31st year of Meiji, being fixed at 94 sen.











